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Deals with China

In Cathay's slipstream

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Council of Europe

Expansion threatens watchdog role

Ian Davidson, Page 12

Eco-covenants

The Dutch show the way

Environment, Page 10

The Philippines

Black economy boosts retailing

Page 8

World Business Newspaper

WEDNESDAY MAY 1 1996

Germany's leading shipbuilder set for bankruptcy

Bremer Vulkan, Germany's largest shipbuilding group, is today expected to announce bankruptcy after the failure of a two-month search for the funds needed to stay alive. Copenhagen shipyard Burmeister & Wain was also declared bankrupt recently after 10 months of fruitless talks designed to re-finance the group. Page 15

Tokyo-Moscow defence deal: Japan and Russia have agreed to a limited exchange of defence information even though they are still technically at war. Page 14

P&O seeks Stena talks go-ahead: Transport, property and construction group P&O plans to ask the UK government to permit it to open merger discussions with Stena, its Swedish rival on the cross-channel ferry market. Page 15; Lex, Page 14

UK workers 'less productive': British construction workers on housing sites are not as well-trained and are less productive than those in Germany and the Netherlands, says a UK report. They also work longer and are paid less. Page 9

Barbie faces Russian rival: A top Russian fashion designer is aiming to create a doll with a real "Russian spirit" to counter the success of the ubiquitous US imports, Sindy and Barbie. Page 14

Audi looks to Hungary: Audi said it would assemble a new sports cars range in Hungary, the first time a German luxury carmaker has sourced an upmarket model exclusively from eastern Europe. Page 14

Energy market plan for Germany: Germany's economics ministry has completed work on draft legislation to open up the electricity and gas markets to competition and sharply reduce state regulation. Page 2

PepsiCo advances 23%: US soft drink and snacks group PepsiCo's restaurant business showed further first-quarter improvement, helping the group record a 23 per cent increase in net profits to \$394m. Page 17; Lex, Page 14

Japan jobless falls again: Japanese unemployment fell to 3.1 per cent in March, the second successive monthly fall. Small and medium-sized service sector groups created jobs while job levels declined at manufacturing giants. Page 8

Hoechst looks to upswing: German pharmaceuticals and chemicals group Hoechst forecast an improvement in business during the rest of the year after a slow start. First-quarter sales of DM13bn (\$8.5bn) were unchanged from the same period in 1995. Page 16

Top Romanian unit trust suspended: Romania's Securities Commission has suspended FMOA, the country's leading unit trust. It is investigating why the trust had failed to comply until the weekend with regulations introduced last month. Page 2

S Lebanon hit by mortars: Guerrillas fired mortar bombs at military posts held by the South Lebanon army in Israel's south Lebanon occupation zone for the first time since the ending of the 17-day Israeli bombardment of Lebanon. Funerals were held for the 102 people killed in the Israeli attacks. US denies Israeli political meddling, Page 4

González cleared over death squads link

Spain's outgoing prime minister, Felipe González, was formally cleared of charges that he oversaw a "dirty war" in the 1980s against Basque Eta rebels. A Supreme Court judge ruled there was no evidence to support allegations against Mr González in connection with a 1983 kidnapping. Accusations against two other senior Socialist figures were also "totally insufficient". Basque pact bolsters Aznar, Page 2

Telecoms plan under scrutiny: Trade negotiators were meeting to discuss a World Trade Organisation plan to postpone for up to a year yesterday's deadline for agreeing a global pact on liberalising the world telecommunications market. Page 7

Hottest year on record: 1995 was the hottest year since records started in 1861, according to a UN report. Average surface temperature was 0.4degC above the 1961-90 average.

Chinese rate cut: China is to cut interest rates from today in an apparent attempt to maintain strong economic growth. Page 8

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,563.3	(-10.11)
NASDAQ Composite	1,186.11	(-0.09)
Europe and Far East		
CAC40	2,148.79	(+16.01)
DAX	2,505.25	(-1.21)
FT-SE 100	3,817.9	(+8.7)
Nikkei	22,041.3	(-193.73)

■ US LUNCHTIME RATES

Federal Funds	5 3/16%
3-mth Treas Bills: Yld	5.134%
Long Bond	88 15/32
Yield	6.871%

■ OTHER RATES

UK: 3-mo Interbank	6 1/16%	(6%)
UK: 10 yr Gilt	96 1/4	(96 7/32)
France: 10 yr OAT	106.13	(106.1)
Germany: 10 yr Bond	97.33	(97.55)
Japan: 10 yr JGB	97.309	(96.809)

■ NORTH SEA OIL (Argus)

Brent Dated	\$19.51	(20.05)

■ GOLD

New York: Comex		
(Jun)	\$393.5	(392.4)
London:		
close	\$391.60	(391.15)

■ DOLLAR

New York: lunchtime		
£	1.5032	
DM	1.53325	
FFr	5.173	
SFr	1.2465	
Y	105.0	
London:		
£	1.5006	(1.5088)
DM	1.5336	(1.5213)
FFr	5.1773	(5.137)
SFr	1.2447	(1.2319)
Y	104.765	(104.595)

■ STERLING

DM	2.3012	(2.2953)
Tokyo close:	Y 104.275	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lit 15.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK\$20	Malta	Lm0.85	Singapore	S\$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65		
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00		
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250		
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20		
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00		
Estonia	EKr22	Jordan	JD1.50	Poland	Zl5.50	Tunisia	Din1.750		
Finland	FM15.00	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L80,000		
France	FFr11.50	Lebanon	U\$3.00			UAE	Dh12.00		

Washington warns of sanctions on Beijing over intellectual property

China tops US trade hit list

By Nancy Dunne in Washington

The US yesterday increased the pressure on China by putting Beijing at the top of a list of countries failing to protect intellectual property and warned that trade sanctions "could be imposed at any time".

In a tough annual review of trade practices, the US said it would refer complaints to the World Trade Organisation against Portugal, Turkey, India and Pakistan for failing to keep commitments on intellectual property.

Political pressure has been building in the US for action against China, which has refused to shut down many factories producing pirated compact discs, videos, CD-Roms and other products. China's alleged failure "to honour its promise to grant market access for legitimate audio-visual products" has resulted in economic damage to US industries. Sanctions – in the form of punitive tariffs – were threatened last year on up to \$2bn of Chinese goods.

US officials, however, have said they will seek to renew China's Most Favoured Nation trade status, which gives it low tariffs on most products.

The priority target of the list this year, an election year in the US, was intellectual property. In a tough assessment of EU markets, the US named the EU to a second tier "priority watch list" for "extraordinarily expensive" patent fees. It said the EU's new single trademark system raises concerns, as does the recently approved data base directive.

"Denial of national treatment with respect to audio and video levies remains a problem in certain member states", it said, and "certain provisions" in the patent laws of some countries appear to be inconsistent with the WTO agreement.

On individual European countries, the US said it would take Portugal to the WTO over a patent law it alleged was inadequate. In its complaint against Turkey, the report centres on "discriminatory" taxes on box office revenues for foreign films.

The report said that although Pakistan and India do not provide patent protection for pharmaceutical or agricultural chemical products, they have several years to put patent laws into effect and will escape immediate unilateral US action.

Argentina was also placed on priority watch list for its new patent legislation which "falls far short of adequate and effective protection".

In 1994, the US announced that no trading partner would be targeted for possible trade sanctions due to moves by many countries to protect intellectual property. Last year the US removed Thailand from its priority watch list of countries threatened with US trade sanctions for violating intellectual property rights, following the passage of Thailand's copyright law. Thailand was moved to the less rigorous "watch list" under the terms of US trade legislation known as Special 301. Priority designation under Special 301 is aimed at countries that have committed "the most onerous and egregious acts, policies and practices which have the greatest adverse impact" on US products, the agency stated.

It also is a designation that reflects US concerns that a country is not "engaged in good faith negotiations or making significant progress in negotiations to address these problems".

Relations between China and the US worsened last week when the US Export-Import Bank delayed credits for an subway project in Guangdong province. On Monday, China described the decision as "unfavourable" to US commercial interests and urged the decision be reversed.

US group pays \$2bn for Internet services provider

By Louise Kehoe in San Francisco

UUNet Technologies, one of the leading US providers of Internet access services to businesses, is to be taken over in a \$2bn deal, the largest of its kind to date.

The buyer is MFS Communications, a Nebraska-based "competitive access" telephone services company with operations in the US and Europe.

The deal is the largest to date in a series of mergers and acquisitions in the Internet access field – spurred by the entry of large telecommunications companies such as AT&T and MCI and the planned entry of several US local telephone companies.

The acquisition also signals the emergence of so called "business internets" – business communications services via networks based on Internet technologies. They aim to provide guaranteed quality of service and security specifically for business users.

Such networks promise efficient delivery of voice and video communications as well as graphics and text applications.

"We are convinced that networks based on Internet technologies will become a bigger and bigger part of the business communications market," said Mr James Crowe, MFS chairman and chief executive. "The combination of our fibre-optic networks and UUNet's Internet services are a match made in heaven."

MFS, a nine-year-old company, provides telephone services to businesses in 43 US cities as well as in London, Paris, Frankfurt and Stockholm, competing with established local and long distance telephone companies.

UUNet, in which Microsoft has a 13 per cent stake, is also one of the largest Internet service providers in the UK through its Unipalm Piper subsidiary.

Mr Crowe said the combined company would be the only Internet service provider to own or control local fibre-optic loops and inter-city and undersea networks in the US as well as the UK, France and Germany.

The merger would significantly reduce UUNet's costs, Mr Crowe said. Internet access companies must typically pay substantial fees to local and long distance telephone companies. More than 40 per cent of UUNet's network expenses were for local communications services, he said.

Mr John Sidgmore, UUNet chief executive, said: "We need state-of-the-art, strategically locatad fibre-optic networks to provide enhanced Internet services to our business clients." The combination would create a "full service Internet business

Continued on Page 14

Lex, Page 14

Striking members of South Africa's main union federation, Cosatu, took to the streets in Johannesburg yesterday in their fight against changes to the country's fledgling constitution.

They oppose plans to give employers the right to lock out workers, and changes to property rights, claiming the measures will "entrench inequality" in the post-apartheid era.

Cosatu said 40 to 70 per cent of workers in key industries had downed tools for the day.

Full story, Page 4 Picture: Reuter

Do-it-yourself TV ad asks viewers to take control

By Diane Summers in London

Television viewers normally turned off by commercial breaks face a new challenge next week – the do-it-yourself advertisement.

The first ad, for Frosties breakfast cereal, will give viewers on-screen options allowing them to decide on the action using their remote controls.

A surfboarding lesson, featuring Frosties character Tony the Tiger, allows viewers to choose, for example, which types of waves to surf and how to steer the board.

The commercial is being claimed as the first of its kind in the world. It is being piloted in the UK, in 100,000 homes in the London area. If successful, it could have implications for the future of TV ads worldwide.

Technical development has been a joint venture between the US breakfast cereal company, Kellogg, which owns the Frosties brand, its advertising agency J Walter Thompson, and Videotron, the Canadian cable company.

The homes in the trial are Videotron cable subscribers and are equiped with set-top boxes, the size of a video recorder. The box allows four different versions of the Frosties film to be broadcast simultaneously, with the viewer switching between the films as options are selected on a special remote control.

For example, at one point in the commercial, viewers are presented with three possibilities for the next sequence of film – "eat", "sleep", or "make out". Each option is shown with a colour against it, and there are corresponding coloured buttons on the handset. The "eat" option results, naturally enough, in a Frosties eating binge; "sleep" switches to film of someone asleep; while "make out" features a couple of necking zebras.

The ad is aimed primarily at children, many of whom currently wander off to play computer games during commercial breaks. However, the technology could be applied to any product or service advertising, allowing viewers to find out more, for example, about details that interest them most.

Interactive TV game shows are already available, and limited tests in the US and by British Telecommunications in the UK have TV shopping malls or advertising sections which viewers can access. There was also an experiment in Canada which offered four different language versions of a soft drinks ad. But the Frosties ad is believed to be the first commercial, broadcast during ordinary programming, which allows viewers to control the action as they watch.

Couch potatoes who find participation too strenuous will have their options decided for them by Tony the Tiger. For those who do want to take part, the only option not open to them will be skipping the commercial altogether unless they use the remote control in the conventional way – to switch off.

UK beef ban will be lifted in stages, says EU

By Caroline Southey in Luxembourg, and Alison Maitland and George Parker in London

Britain last night won assurances for the first time that the European ban on British beef would be lifted in stages once effective measures were in place to reduce the incidence of BSE, or mad cow disease.

In return for a phased lifting of the embargo, European Union ministers called on Britain to strengthen plans for a selective slaughter policy.

Mr Douglas Hogg, the UK agriculture minister, described the agreement hammered out by EU agriculture ministers in Luxembourg last night as "movement in the right direction". But he warned there was "a lot more negotiating to be done".

The agreement represents an effort to end the stand-off between Britain and the other 14 member states over the six-week old crisis which has devastated EU beef sales.

The deal balances Britain's demands for assurances that the ban would be eased with concerns among other member states that the UK had not done enough to limit the disease.

The agreement "notes the case for strengthening the programme through additional measures particularly targeted on herds where a significant number of cases of BSE has been detected".

Sir David Naish, National Farmers' Union president, said other EU member states had criticised Britain's plan for selective slaughter but failed to produce "practical alternatives."

"We cannot afford to have the EU's politicians indulging in a step-by-step approach while the livelihoods of many farmers and others in the meat trade are on the brink of disaster," Mr Naish said.

EU officials said talks had broken off in the afternoon to allow Mr Hogg to consult with Mr John Major, the British prime minister, on details of the text.

While the agreement described

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EU to spend \$1bn on crisis, Page 9

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Germany draws up plan to liberalise energy market

By Peter Norman in Bonn

Germany yesterday took the first step towards liberalising its electricity and gas markets with the aim of reducing prices sharply for business and household consumers.

Mr Günter Rexrodt, the economics minister, said his ministry had completed work on draft legislation to open up the two sectors to effective competition and sharply reduce state regulation.

Discussions are now planned with industry, the federal states, local authorities and other government departments. The minister said he expected cabinet approval for the legislation in July so that it could pass through parliament between the end of the summer break and Christmas and come into force next year.

If all goes according to plan, energy supply legislation dating from 1935 will be scrapped and the cartel law amended to allow new competitors to use existing power lines and gas mains and to build new power stations and supply grids. This will end the present structure of local monopolies where a utility company has exclusive rights of supply in a specified area, taking gas or electricity from one of Germany's large producers.

The ministry said the existing structure put the consumer in a weak position in relation to monopolistic suppliers and contributed to excessively high electricity and gas prices, which had damaged Germany as a location for investment and its capacity to create jobs.

Mr Rexrodt said the price of electricity for a small or medium-sized company was about 66 per cent of the German level in Britain and 67 per cent in France.

A reminder of the problems created by Bonn's energy policy came last week when Mr Wolfgang Schäuble, leader of the Christian Democrat group of MPs, told the Bundestag high energy prices had played a key role in Daimler-Benz's decision to build its planned Swatch mini-car in France rather than Baden-Württemberg.

The economics ministry intends that liberalisation should go ahead nationally, even if there is no agreement on an EU single market for gas and electricity. Foreign companies would be allowed to invest and compete in the German market provided German companies could compete in the foreign supplier's own market.

After months of no progress, Mr Rexrodt said he detected signs of movement towards a European single market in energy. He said France appeared to be softening its opposition to liberalisation.

It was too early for agreement on a directive, although this might come this year, he said. Mr Rexrodt said the council of ministers' meeting planned for May 7 could agree some fundamental principles governing the energy market.

A Bonn government bill for a modest liberalisation of Germany's restrictive shopping hours will be given its first reading this month in the Bundestag, the lower house of parliament, Mr Günter Rexrodt, the economics minister, disclosed yesterday, writes Peter Norman in Bonn.

He said the bill, which was considered too controversial for parliamentary debate before important state elections on March 24, would probably be given its first reading on May 9 or during the five-day parliamentary session that starts on May 20.

Günter Rexrodt: complained that the price of electricity for a small company was far higher than in Britain or France. AP

Securities watchdog acts after panicked small investors try in vain to withdraw funds

Romania orders unit trust inquiry

By Virginia Marsh in Bucharest

Romania's Securities Commission said yesterday it had launched an investigation into why FMOA, the country's leading unit trust, had failed to comply until the weekend with regulations introduced in March. The fund has been suspended while the inquiry takes place.

Hundreds of Romanians attempted in vain to withdraw deposits on Monday after the fund said at the weekend that it was marking down its net asset value by 45 per cent, or the equivalent of $71m, and the commission announced a 10-day suspension.

The commission is also investigating to whom the fund made payments in the days before the mark-down was made public.

The announcements have caused panic among small investors in a country which has been plagued by investment scams – including many pyramid schemes – since the end of communism in 1989. Caritas, the largest such scheme, lured some $1bn in deposits from around 4m Romanians with promises of large payouts, before collapsing with huge debts in 1994.

Although thousands of Romanians were impoverished by Caritas's collapse, few were deterred from investing in unit trusts and other investment funds, regulated by the country's fledgling securities commission. FMOA, run by Safi, a local financial group, has an estimated 300,000 investors.

Local bankers said yesterday they feared there would now be a run on FMOA's deposits and that confidence in all open-ended funds would be severely diminished.

In an attempt to strengthen the sector and bring local practices in line with international norm, the commission introduced tough new rules at the end of March. Among other things, these required funds to calculate their net worth on current rather than projected earnings and assets. This caused all funds to make large write-downs. Only Safi did not comply immediately.

Safi was founded in 1993 by Mr George Danielescu, a former finance minister, and Mr Viorel Catarama, a leading entrepreneur and politician who owns Elvila, one of Romania's best known companies.

Last week, days before Safi's difficulties came to light, Elvila announced it had become one of the first local companies to secure equity participation from foreign institutional investors. It has raised $10m in a private placement arranged by France's Société Générale.

Safi is one of Elvila's largest shareholders and is also alleged to have lent the company money even though, under Romanian regulations, investment funds are not permitted to make loans.

Safi's difficulties come after weeks of uncertainty in local financial markets and just as the government is about to launch the second phase of a voucher-based mass privatisation programme whose success is heavily dependent on well functioning capital markets.

Several companies on the country's six-month-old stock market have been suspended for failing to produce accounts according to market regulations, causing both turnover and prices to plummet to all-time lows. Confidence has been further eroded by problems in the inter-bank foreign exchange market which private bankers say has virtually ceased to function since the central bank restricted market making to mainly state-owned banks in March.

In addition, a leading private bank has been placed under central bank supervision and several other banks are also believed to be experiencing liquidity problems.

However, analysts say banks, especially the CEC state savings bank whose deposits are guaranteed by the government, stand to benefit as depositors switch savings out of FMOA and other funds. The growth of private funds, which promised much higher returns than banks, had drained resources from the sector which is still dominated by the CEC and other state banks.

German banker in pay-equity swap plan

By Peter Norman

A radical plan, involving steep pay cuts in return for a share of company fortunes, was proposed yesterday by a leading German banker as one way of easing the country's unemployment crisis.

Mr Albrecht Schmidt, chairman of Bayerische Vereinsbank, proposed a 10 per cent cut in German employees' wages, with a freeze for five years, in return for shares in their companies or perpetual interest bearing securities or a combination of the two.

Mr Schmidt, who spelled out his plan at the bank's annual meeting in Munich, said Germany was in a vicious circle. Every recession had added 1m to the total of unemployed. Currently, there were more than 4m registered unemployed and 6m jobless if those on job-creation schemes and in other forms of concealed unemployment were included. Moreover, the jobless trend was upwards.

Faced with this problem, Germany could learn from the experience of United Airlines, the US carrier, when it was facing bankruptcy in 1994. It distributed shares with a nominal value of $4.9bn to 54,000 staff in return for wage cuts of 8 to 16 per cent, sharply reduced benefits and an agreement to work longer hours.

The package was constructed so that the market value of the shares roughly corresponded with the cash value of wages and other benefits the employees gave up.

The United approach had the advantage of compensating existing employees while lowering the cost to companies of hiring staff because new recruits would not benefit from the scheme, Mr Schmidt said. In Germany's case, such schemes would cut unemployment and improve competitiveness and be beneficial to company employees and shareholders alike.

Mr Schmidt's radical proposal for dealing with Germany's problems is one of few to have come so far from the employers' side of the table. The trade unions gained the initiative and the moral high ground last autumn when the powerful IG Metall engineering union proposed an "alliance for jobs" in which business should create new jobs in return for union restraint in negotiations on wages and other conditions.

The limits of 'good faith' investment

Some big investment deals in Hungary have got caught up in the courts, writes **Virginia Marsh**

For the past two months Demasz, one of six Hungarian electricity distribution companies sold to western investors last December, has in effect had no board of directors.

A new board and management team were installed at an extraordinary general meeting in December after Electricité de France, one of Europe's largest utilities, acquired management control and a 48 per cent stake in the company. However, a court in the southern town of Szeged, where Demasz is based, suspended all decisions made at the EGM, including EdF's appointments. This was at the request of the local authorities which are suing APV, the state privatisation agency, for not handing over shares promised to them at the time of privatisation.

"The target is APV but EdF is the hostage," said a western diplomat in Budapest. "EdF cannot make decisions [concerning Demasz] legally. It is continuing to manage the company but it will be disastrous if the situation lasts much longer."

The case, which is due to go to appeal this month, is just one of several in which foreign investors have become entangled while minority shareholders, mainly local government, attempt to exploit ambiguities in Hungary's commercial code. It highlights the difficulties western (and local) investors face in doing business in the former east bloc where countries are in the midst of reforming their legal systems and are still bringing in hundreds of new bills and regulations each year.

Western energy companies in Hungary are also involved in difficult discussions with the authorities over price rises promised for this year and other regulatory and legal issues left unresolved when the privatisation of much of the electricity and gas sectors took place hastily last autumn. Industry analysts say it is important the disputes be cleared up quickly as Hungary intends to continue electricity privatisation this year and has already called a tender for two of the generators it failed to sell in the autumn.

"The privatisations were carried out very quickly and many important questions were overlooked," said the diplomat. "The local government cases are no surprise. We knew there would be problems."

Many town and county councils, which were awarded minority stakes in utilities to compensate them for past investments, hope they can use a communist era commercial law to force investors to buy out their stakes at the same price per share as they paid APV. The law, passed in 1988, says any "Rt" – the equivalent of a British "plc" (public limited company) – acquiring a majority stake in another local company must offer to buy out minority shareholders at the same price.

Italgas, Gaz de France and other investors in the five regional gas distribution companies acquired majority stakes straight off, while utilities buying into eight electricity distributors and generators were given options to increase their stakes to a majority by 1997.

Important questions were overlooked in very quick privatisations

In the only ruling so far, lawyers for PowerGen, the UK generator, which last June acquired a 95 per cent stake in a small independent power producer, successfully argued that the law applied only to "Rts" – in other words to Hungarian and not foreign companies.

However, local governments have vowed to take the matter further and Hungary's supreme court is expected to rule on the issue this year. The court's judges appear to be divided and some have said publicly the law might apply to foreign investors.

Although APV and lawyers representing foreign energy companies are still confident of winning, the cases raise the possibility of the western utilities being forced to pay out hundreds of millions of dollars on top of the nearly US$2bn they have already invested.

Electricity utilities have also hired lawyers to clarify the power purchase agreements the generators and distributors have with MVM, Hungary's core electricity company, which operates the national grid. Analysts say the existing set-up favours MVM, one of the country's largest and most powerful state-owned companies, and places most of the risks on the distribution and generation companies.

The most contentious issue, however, is energy pricing. The electricity and gas companies have to buy most of their energy supplies from Mol, the national oil and gas company, another powerful majority state-owned company. In recent months, Mol has brought in steep price increases and at least one western utility has considered suing it for allegedly abusing its monopoly position.

Distributors cannot immediately pass on the extra costs to consumers as electricity and gas prices remain subject to state control. Prices have risen recently but the increases have often lagged Mol's by several months, pushing some power and distribution companies into debt.

The government has undertaken to move to a fully cost-reflective pricing system – one which will also enable utilities to make a return on their investments – by the beginning of next year. It was on this basis that it sold the electricity and gas companies last year.

Western utilities say price rises of at least 40 per cent are needed. The government, however, is under pressure to limit the increases which, as well as being unpopular, will fuel inflation. Some utilities have put ambitious investment plans on hold.

"It is unusual that we all invested on the basis of good faith rather than hard contracts," said one investor. "We hope the government's commitment is still there."

Analysts say the regulatory and pricing uncertainties and the many court cases have made investors more cautious and this could effect upcoming sales of the two generators.

This time, at least, APV has allowed for negotiations of up to 120 days after the tender. In the autumn, the electricity and gas sales were rushed through in less than a month.

"The sales won't fall flat. There is interest but, given the experiences of the last month, there is also concern," the investor said.

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Basque pact bolsters Aznar's majority

José María Aznar: promise of support from regional party

By David White in Madrid

Mr José María Aznar is assured of a more comfortable parliamentary majority for confirmation as Spain's new prime minister at the weekend, after obtaining a pledge of support from the Basque Nationalist party (PNV).

An agreement between the PNV and Mr Aznar's centre-right Popular party (PP) was finally concluded on Monday night and confirmed yesterday in a meeting between the future prime minister and the PNV leader, Mr Xabier Arzalluz.

It follows agreements with regionalist parties from the Canary Islands and, most important, Catalonia to back a minority PP government. With the addition of the five PNV deputies in the Spanish parliament, Mr Aznar stands to win approval on Saturday with at least 181 of the 350 seats. This would be similar to the backing obtained in 1993 by the Socialists, who likewise relied on support from the Catalan and Basque parties.

Talks with the PNV appeared to run aground after it became clear the PP would not agree to transfer responsibility for social security in the Basque country to the regional government, a demand made by the PNV under the terms of the 1979 Basque home-rule statute. Trade unions were also strongly opposed to the transfer, insisting on keeping a unified social security fund.

However, Basque negotiators won enhancements to the region's special tax arrangement with Madrid, under which taxes are collected locally and an agreed amount paid to the central government. They also obtained a pledge of central government funding for training programmes and the transfer of responsibility for the region's main ports.

In addition, the PP promised legislation which would provide the PNV with compensation for party property seized by Franco's forces in the 1936-39 civil war. The bill would cover indemnity payments to political parties similar to those already made to trade unions.

The PNV has estimated this "historical debt" at Pta4bn ($31.5m). Payment would ease the financial position of the party, which spent some Pta1bn building a new headquarters in Bilbao on the site of its founder's destroyed home.

Mr Jaime Mayor Oreja, the PP's chief negotiator with the PNV, said the agreement was not limited to Saturday's vote in parliament. Although he said the two parties did not discuss Basque separatist terrorism – which had to be dealt with in a wider forum – he described the accord as "good news for the pacification of the Basque country".

Meanwhile, in the supreme court case over Spain's "dirty war" against Basque separatists – a case which helped force the Socialist government into early elections – the investigating judge confirmed yesterday that no action would be taken against Mr Felipe González, outgoing prime minister.

There was no evidence to support allegations against Mr González in connection with a 1983 kidnapping, he said. Accusations against two other senior Socialist figures were also "totally insufficient".

EUROPEAN NEWS DIGEST

Probe opens on French bank

The French government said yesterday the public prosecutor was studying information on the operations of Crédit Foncier de France, the specialist bank which is in crisis following huge exposure to property lending.

Mr Jean Arthuis, minister of economics and finance, said in response to questioning in the National Assembly that the newly appointed chairman of Crédit Foncier had handed over a dossier to the authorities.

His comments were the first indication of possible legal action following growing evidence of financial mismanagement at the institution.

Crédit Foncier announced on Monday a wide-ranging restructuring and reported losses of FFr10.8bn ($2.1bn) for 1995 after taking provisions of FFr13.6bn against property loans. The French government pledged at the same time to honour the FFr260bn in bonds issued by the bank, making it the largest borrower in France after the state.

One government official characterised Crédit Foncier's lending in the last few years as "stupid", and suggested the group's accounts did not provide adequate information on the financial health of its subsidiaries. *Andrew Jack, Paris*

France urged to speed sell-offs

Mr René Monory, the president of the French Senate, said the government should double its 1996 privatisation target to take advantage of the strength of the stock market.

"There are FFr20bn ($3.9bn) of privatisations in the 1996 budget. Why not double this figure?" he said in a newspaper interview yesterday. "Numerous public companies are in difficulty. They need to be reformed as quickly as possible to make them attractive. This goes for Air France and Crédit Lyonnais, for Giat and the defence electronics sector, and for AGF (Assurances Générales de France) and [Générale du] GAN," Mr Monory said.

Mr Monory also said the government could renegotiate much of its debt to take advantage of low short-term interest rates. "Nothing obliges us to have only long-term debt. Renegotiating our debt could save FFr30 or FFr40bn. But that would require a slight cultural change at the Treasury," he said. *AFX, Paris*

Belgian PM stands by jobs pact

Mr Jean-Luc Dehaene, the Belgian prime minister, pledged yesterday that the center-left government would push ahead with a plan to halve unemployment in five years, despite trade union opposition. "The government will take the necessary decisions on its own," Mr Dehaene told parliament after the country's big Socialist-led union dismissed the proposed pact.

The union's response put Mr Dehaene in a difficult political position, since his government is a coalition of his own Christian Democrats and the Socialists. The Christian Democrat union backed the plan with a slim majority. Mr Dehaene said he was "leaving the door open" to the possibility of achieving consensus between labour and employers.

The plan aims to halve unemployment by focusing on a reduction in the cost of labor and a limit on salary increases in line with Belgium's main trading partners. *AP, Brussels*

Norwegian oilfield strike threat

A planned oil strike at several Norwegian oilfields will go ahead, despite a refusal by some union members to join the action, the Norwegian Federation of Oil Workers said yesterday.

The union has called on nearly 1,000 members to stop work indefinitely on May 4 in support of striking colleagues at service companies. The proposed action would shut down around 40 per cent of Norway's oil production of 3m barrels per day and about one third of natural gas output.

More than 400 scaffolding, paintwork and insulation workers at oil service companies went on strike almost three weeks ago in a dispute over the refusal by the employers' federation to accept union demands for a separate pay agreement for offshore maintenance companies.

But 69 workers at the Eldfisk field operated by Phillips Petroleum in the Ekofisk development have voted not to join the action despite warnings from the union of possible expulsion. *Reuter, Oslo*

Romania records trade deficit

Romania's trade balance switched to a deficit of $99.5m in March against a surplus of $56.2m in February, the national statistics board said.

But the board said the new figures now included oil imports, on which custom documents were delayed in the February data. The board reported that Romanian exports went up by 28.5 per cent in March from February, while imports soared by 69.8 per cent. It said January to March exports dropped by 13.6 per cent from a year ago, and imports were 26.1 per cent down. Half of January-March exports went to the EU, from which Romania took 47 per cent of its imports. *Reuter, Bucharest*

Slavonia handback on schedule

Preparations to transfer the last Serb-held swathe of Croatia to government hands are on schedule and refugees are expected to begin returning to the region within a month, United Nations and Croatian government officials said yesterday.

The first of about 100,000 Croats expelled by rebel Serbs in 1991 will be able to return to eastern Slavonia on June 1. The pilot project will allow Croat refugees to return to three empty towns bordering Serbia in a crucial test of how successful the peace process has been. *Reuter, Zagreb*

ECONOMIC WATCH

French gleam amid the gloom

French industry survey

% balance of respondents saying things had improved or worsened*

	Apr	Mar	Feb	Jan	Dec	Nov	Oct
Recent past output	-8	-8	-11	-7	-8	-6	-1
Overall orders and demand	-31	-36	-38	-35	-38	-27	-30
Recent past output							
Manufacturing output	-8	-8	-10	-9	-10	-8	-7
Consumer goods	-1	-2	-8	+1	+5	+7	+9
Future output							
Manufacturing output	+6	0	-1	-8	-5	-3	-1
Consumer goods	+8	+12	+4	-1	+2	+2	+8

Source: Insee *Positive figure=better

A majority of French industrialists last month predicted an upturn of activity in their sectors following a stabilisation of production in the first quarter, according to Insee, the official statistics agency. The survey still showed general gloom about industrial output, with the number of pessimists outweighing optimists by 21 percentage points last month, compared to 23 in March. But the number of industrialists who saw improvement in their sector last month surpassed those forecasting deterioration by 11 per cent. This continues the improvement from January, when pessimists outweighed optimists by 13 points. The government has forecast gross domestic product will expand by 1.3 per cent this year, but hopes a sharp recovery in the second half of the year will push this higher. Meanwhile, the labour ministry yesterday reported that the number of job-seekers fell in March by 4,200 to 3,027,400, with most of the reduction benefiting the young and long-term unemployed. But, according to the International Labour Organisation, which uses a stricter definition than the French government, the jobless rate rose to 11.9 per cent in March, up 0.1 per cent from February. *David Buchan, Paris*

■ Swiss consumer prices rose 0.1 per cent in April from March and were up 0.9 per cent year-on-year.

■ Finland's gross domestic product rose 1.4 per cent in February year-on-year.

Olympic Airways aid is halted

By Neil Buckley in Brussels

The European Commission has blocked state aid worth Dr23bn ($95m) to Olympic Airways because of fears of excessive intervention in the Greek airline's affairs by the Athens government.

The Commission also said it was investigating a proposed Ecu37m ($45.7m) soft loan by the Italian government to Olivetti, the computer maker, for research and development of portable multimedia PCs.

A restructuring package for Olympic Airways was approved by the Commission in 1994, including loan guarantees, debt write-offs and a three-stage capital injection totalling Dr54bn ($224m) from the Greek government aimed at returning the struggling airline to viability. The first tranche of Dr19bn was paid last year.

The Commission has taken the unusual step of ordering a delay in payment of the second tranche until it receives assurances that the Greek government will not be involved in management of the airline beyond its usual obligations as a shareholder, and that no further state aid will be awarded.

"We will be looking for some kind of guarantees – and more than verbal guarantees – that the Greek government will no longer interfere with the running of the airline," the Commission said.

It denied that its decision had been prompted by last month's sacking of Mr Rigas Doganis as Olympic's chairman – a decision announced by the Greek transport minister. Mr Doganis was dismissed in spite of producing a Dr6.5bn profit at Olympic last year – the first for 20 years.

The Commission said shareholders had the right to replace company directors. But it was concerned, for example, that the Greek government was still forcing the airline to deliver newspapers cheaply, possibly affecting its commercial viability.

It was also seeking further information on the nature and payment of aid since October 1994, especially in connection with the Greek government's decision to write off Dr11bn in social charges for 1995-97.

In the case of Olivetti, the commission said it had "serious doubts" about a proposed Ecu37m government loan to fund work on development of portable multimedia computers.

Olivetti says the loan is to fund research and development in a high-technology area. But the Commission said the work "would appear to constitute normal operations for the company. It seems likely that the work would have been carried out by the company anyway given the positive outlook for sales of portable personal computers."

One high-technology project approved yesterday by the Commission was a DM300m subsidy for construction of a semiconductor plant in Dresden, eastern Germany. The Commission said the project would create 1,430 jobs directly and more than 3,000 jobs indirectly in a high-unemployment area.

Brussels also agreed substantial state aid packages to the German, Spanish and French coal mining industries. But it vetoed proposed aid to the Italian footwear industry.

The Cypriot government has handed over the the management of two government-run duty free shops to Cyprus Airways instead of cash. The national carrier had been pressing for a £30m ($45.3m) cash injection. Instead it is to take over the shops at Larnaca and Paphos, paying an annual fee and sharing the profits with the government – which owns 80 per cent of the airline – as part of a package including a future share issue.

EU business caravan delays Silk Route trip

By Bruce Clark in Brussels

The European Commission has made a last-minute decision to postpone for at least five months a high-profile effort to promote business links between the European Union and the southern republics of the former Soviet Union.

In one of the most spectacular trade promotion drives ever organised by the Commission, a convoy of more than 100 trucks sponsored by European companies had planned to retrace the ancient Silk Route through Central Asia.

The project – politically sensitive at a time when Russia is seeking to reassert influence in that region – was intended to symbolise the direct links ex-Soviet states have sought to establish with Europe.

The journey was also supposed to highlight a shift in western Europe's role in that part of the world from provider of food aid and technical assistance to trading partner and investor.

The EU has acted as a lifeline to the region in the aftermath of the Soviet collapse, and at one point, food aid from Brussels accounted for more than half the state budget of Georgia. The Union provided 800,000 tonnes of food to five ex-Soviet republics during the winter.

But the prospects for continuing the programme next winter look doubtful because of the strains placed on the EU's agricultural budget by the beef crisis.

At least 15 EU companies, in sectors ranging from construction to agriculture to energy, had offered to sponsor the project to the tune of $250,000 each and organise a travelling exhibition.

The convoy had planned to leave Venice in late May and travel by land and sea to Georgia, Armenia and Azerbaijan before crossing the Caspian Sea to visit Turkmanistan, Uzbekistan, Kyrgyzstan and Kazakhstan.

EU officials said the journey would now not take place till September at the earliest. It would be very difficult to organise any later in the year because of worsening weather in mountainous areas of Central Asia.

Most of the host countries – particularly the three Transcaucasian states and the western-oriented leadership of Uzbekistan – had warmly welcomed the project as a way of underlining their links with the west.

But EU officials said the delay had been decided against a background of nervousness, both at the Commission and among potential sponsors, over tha signal the project would send to Russia during a bitter presidential election campaign.

President Boris Yeltsin and his Communist party opponent have been vying to persuade Russian voters of their ability to re-establish at least some of the former links between the former Soviet republics.

Kazakhstan and Kyrgyzstan have recently joined Russia and Belarus in a much closer association, and in the last few days Kazakhstan has reached a long-awaited agreement with Moscow on exporting its oil wealth – through Russia.

Brussels nervous of sending wrong signals during the Russian election campaign

Brussels claims budget success

By Neil Buckley

European Commissioners yesterday approved an increase of 3 per cent in their draft budget for 1997 to Ecu84.4bn ($105bn) and claimed success for their efforts to control Commission spending. Last year an 8.5 per cent rise provoked criticisms from member states of the Commission's financial management.

Mr Erkki Liikanen, budget commissioner, said the increase would have been only 2 per cent had it not been necessary to set aside Ecu873m to deal with the likely costs of the "mad cow" crisis.

As well as agreeing this increase in its "payment" budget – the amount actually paid out in areas such as the Common Agricultural Policy, structural funds, the single market, and administration costs – commissioners approved a 4.3 per cent increase in its "commitment" budget to Ecu90bn. That is the amount the Commission can commit to future contracts and projects during the year.

Mr Liikanen said the budget increase was in line with the expected growth in members states' budgets as they reined back public spending in preparation for monetary union.

The draft budget can be altered by the EU finance ministers and the European parliament, but there are strict limits on the rights of either body to increase spending.

Almost half tha budget is accounted for by the common agricultural policy, due to increase 2.4 per cent to Ecu41.8bn. Mr Liikanen said savings resulting from favourable market conditions and reforms of tha policy would be largely cancelled out by the need for extra spending in the beef market.

Structural funds spending is set to increase 8 per cent to Ecu31.5bn, in line with guidelines set by tha Edinburgh summit of EU heads of state in 1992.

Cutbacks in several areas of the internal market budget limit the overall increase to 4.8 per cent, to Ecu5.5bn. However, anti-fraud spending within that budget is to increase 61 per cent to Ecu2.5m.

The external spending budget, including aid and co-operation spending, will increase 7.3 per cent.

Gennady Zyuganov talks to reporters after meeting leading Russian bankers yesterday AP

Communist move to calm tense Russian campaign

By John Thornhill in Moscow

Mr Gennady Zyuganov, the Communist candidate in Russia's presidential election, yesterday hinted he was willing to discuss with President Boris Yeltsin ways of calming the feverish political mood during the campaign and averting the threat of civil conflict.

But he said he would have to consult other members of the national-patriotic bloc who are backing his candidacy before he could give a definite commitment.

Mr Zyuganov, currently topping most opinion polls, made his comments after meeting a group of Russia's most powerful businessmen, who fear the increasing divisiveness of Russian politics could lead to social unrest. On Friday, the group launched a public appeal urging the leading candidates to adopt a common political front.

"We are all concerned about what measures must be taken for the economy and for the financial system to work," Mr Zyuganov said.

The Communist leader was also reported to have held confidential talks on the economy with Mr Victor Chernomyrdin, the prime minister. The two politicians have been fierce antagonists in the past.

But President Yeltsin appears in no mood for compromise. In a newspaper interview published yesterday in Rossiiskie Vesti, Mr Yeltsin launched one of his strongest attacks on the Communists.

"As President of Russia, as a politician and as a citizen, I cannot allow such forces of the past to come to power," he said, fuelling speculation that the elections, set for June 16, may be postponed.

"If Communists come to power, violence against the nation, the individual and the economy, a new 'iron curtain', and the ideological and spiritual desiccation of the country will once again become a possibility. This cannot be allowed," he said.

An opinion poll released by the ISP polling organisation yesterday suggested that Mr Zyuganov held an extremely strong lead over Mr Yeltsin. The poll of 6,000 voters, conducted in early April, showed Mr Zyuganov with 38-47 per cent support against 16-20 per cent for Mr Yeltsin.

The poll is at odds with others showing Mr Yeltsin rapidly gaining ground on Mr Zyuganov. But Russian opinion polls have been notoriously unreliable in the past and the Communist party has complained that many of them have been manipulated by the authorities.

The ISP sample was larger and more widely spread than most other polls. The organisation was also one of the few to predict the strength of the ultra-nationalist vote for Mr Vladimir Zhirinovsky in the parliamentary elections in 1993.

'Zero cash' announcement sends chill through headquarters with fears of cuts in programmes and jobs

UN runs out of money as crisis worsens

By Michael Littlejohns, UN Correspondent in New York

The United Nations has again run out of money and, starting today, will have to resume borrowing from peacekeeping accounts to meet its regular expenses, including the payroll. The financial crisis is worse than last year, when the budget proved adequate until the end of September.

Mr Joseph Connor, the UN's chief financial officer, said yesterday that cash in hand was "zero" and that "we are back in the borrowing business". He had expected to have at least $79m in the budget at this point.

The announcement dashed hopes that last week's budget agreement between the US administration and Congress would be enough to dig the UN out of the crisis.

Delegates are familiar by now with persistent gloomy reports about the UN's financial plight.

However Mr Connor's announcement sent a chill through the headquarters as they faced the prospect of cutting programmes, and the secretariat worried about downsizing that will cost at least 800 jobs and maybe many more.

Mr Connor told reporters he hoped Japan's and Germany's assessments would be paid in June, but a $50m loan was necessary to tide the organisation over until then. This would reduce or delay reimbursements to member states already owed more than $1bn for providing troops and equipment in 16 UN field operations.

The organisation had hoped to avert further raids on the peacekeeping treasury this year, but the first instalment of a $304m US appropriation agreed last week between Congress and the Clinton administration may not be received for some time. Japan and Germany, the second and third largest contributors, held up their cheques for "technical reasons".

Calling the UN's situation still "precarious", Mr Connor was cautious about the likely effect of the US budget accord.

He welcomed the prospect of a large contribution, but noted that this would still only meet Washington's 1995 obligations, already 16 months overdue.

Moreover, it would be October before Congress could even start to debate appropriations for the current year.

Total arrears for the UN regular and peacekeeping budgets amount to $2.8bn, with the US owing more than half. Although Russia has promised $400m to clear its UN peacekeeping account, the US wants to settle its outstanding debts over five years.

Mr Connor said he would have to borrow again in late August and once more in December when available cash would be about $200m less than forecast.

While the US has borne the brunt of bitter criticism for tardy paying, more than 130 other members are in debt, including many that claim to be unable to afford even the minimum annual assessment of less than $109,000, and risk losing voting rights.

Britain recently joined a so-called honour roll of those *fully paid up for 1996* with a cheque for more than $57m.

Meanwhile, Mr Boutros Boutros Ghali, the UN secretary-general, who is up for re-election this year, must run new General Assembly mandated programmes without the necessary cash and under orders not to overspend the $2.6bn total budget approved for this year and next.

He warned members yesterday that unless they agreed to axe some marginal programmes, critical operations, such as those in Haiti and Guatemala, would have to be sacrificed with all the humanitarian and political consequences that would entail.

Mr Boutros Ghali's prospects for re-election could be affected by how he manages the financial crisis.

His repeated warnings about insolvency have gone largely unheeded while the US and some other leading members have hammered away at his allegedly "bloated bureacracy" and demanded more and more cost cutting.

In a recent article he wrote that he had already cut expenses "to the bone" and that, like it or not, Washington *had* to pay up.

His relations with Ms Madeleine Albright, the chief US delegate, have long been cool. On the Republican side Senators Bob Dole and Jesse Helms, chairman of the foreign relations committee, are among the strong critics of the secretary-general and the organisation as a whole.

France presses peace role in Middle East

By David Buchan in Paris

France is pursuing its diplomatic offensive in the Middle East, with President Jacques Chirac today holding talks with Prime Minister Shimon Peres of Israel in Paris and dispatching equipment to Beirut to replace electrical equipment damaged by Israeli bombing.

Mr Chirac yesterday received President Elias Hrawi of Lebanon. According to a Lebanese embassy statement, Mr Hrawi thanked the French president for his "courageous diplomatic initiative" in joining the US in sponsoring the ceasefire in south Lebanon and for French aid in helping refugees and restoring electricity in Beirut.

Mr Chirac will use the opportunity of Mr Peres' presence in Paris for a Unesco ceremony today to talk to the Israeli leader about supervision of the ceasefire and the future of the Middle East peace process.

France is part of the five-nation committee supervising the ceasefire, along with the US, Israel, Lebanon and Syria.

The main task of supervising the ceasefire should be left to Unifil, the United Nations force in southern Lebanon, in which France has 200 soldiers, Paris believes. The role of the new ceasefire supervisory committee is overwhelmingly political, French officials say, adding that any extra supervision from the French side will come from France's defence attaches based at its Tel Aviv embassy.

The ceasefire has met with considerable self-congratulation in Paris, with Mr Chirac congratulating his foreign minister, Mr Hervé de Charette, for the "determination" and "tenacity" of his shuttle diplomacy, and the latter claiming that France produced "80 per cent" of the framework for the arrangement. French officials concede the US was vexed at France's mediation, but say they see no reason why. They reject US complaints that French intervention played into Syria's hands.

The French government wants to enlarge what it acknowledges is only a toehold in Middle East diplomacy into a wider political role for Europe as a whole, though officials in Paris see no sense in the European Union taking over from France on the ceasefire supervisory committee.

French officials argue that countries in the region do not wish to rely solely on US mediation and want other "interlocuteurs" as well. They point out that initial objections to France being on the truce supervision body came from the US, not Israel. Europe also deserves a political role in the Middle East peace process because of the large economic aid it is providing, Paris argues.

Electricité de France, the state-owned utility, is shipping out two transformers and other equipment to Beirut this week to restore power to the Lebanese capital lost when Israeli attacks hit electricity plants there. EdF said yesterday it would be between six and eight weeks before power could be fully restored. The full cost of repairs and new equipment is estimated at FFr150m ($29.23m), and France is to try to persuade its EU partners to share the cost.

Union body hits out at export zone 'abuses'

By Bruce Clark in Brussels

An international lobby group that claims to speak for more than 120m trade unionists has attacked export processing zones (EPZs) as a mistaken approach to development and a cover for appalling working conditions.

In a May Day report, the International Confederation of Free Trade Unions said it had found a "shocking catalogue of abuses" in the EPZs which operate under various names in 70 countries.

Publication of the report was part of the ICFTU's campaign to force the inclusion of a social clause in the World Trade Organisation's charter, binding the signatories to observe minimum labour standards. Common abuses in EPZs, where nearly 20m people were employed, included the use of child labour, the assassination of trade unionists and the use of amphetamines to boost production.

The report said the value of such zones to developing countries was doubtful. They were established in response to demands for tax breaks and sweeteners from western investors, who often moved on when their tax holidays were over.

The report said the concept of the EPZ – initially an area where goods could be imported and re-exported without duty being paid – had originated at Shannon airport in Ireland in the early 1960s. Since then, the concept had been broadened to cover sealed-off zones with a range of incentives, from subsidised buildings, cheap energy and a "cheap and uncomplaining" labour force.

"Most experts now question whether the zones actually increase overall employment or help the national development process," said the ICFTU secretary-general, Mr Bill Jordan.

Behind The Wire, International Confederation of Free Trade Unions, Boulevard Emil Jacqmain, 155, B-1210 Brussels.

Strikers take to the streets of Johannesburg in an attempt to prevent a lock-out clause being included in the constitution Reuters

Rand holds ground as S Africa tries to cope with protest strikes

By Roger Matthews in Johannesburg

Protest marches and strikes were staged throughout South Africa yesterday as unions intensified their campaign to prevent a "lock-out" clause being included in the country's final constitution.

The Congress of South African Trade Unions (Cosatu), which called the strikes, said there had been a 100 per cent response in some areas but 40 per cent in others. The motor industry near Port Elizabeth was badly affected, but most mines worked normally and there was little effect on commerce.

The rand's sharp fall last week had been in part triggered by the threat of a general strike. However, the currency strengthened slightly against the dollar yesterday to close at R4.35 in Johannesburg.

Mr Sam Shilowa, the general secretary of Cosatu, warned of further disruption if political parties did not agree to abandon the draft clause in the constitution which would give employers the right to prevent workers entering their place of work during a strike.

The African National Congress, which is allied to Cosatu, favours dropping the clause. But it has been seeking a compromise with the National party and the Democratic party, which insist the right to strike must be balanced by the right to lock workers out. Mr Tony Leon, leader of the Democratic party, was punched by demonstrators outside the parliament building in Cape Town yesterday when he went to receive a protest memorandum. After being escorted to safety by police, Mr Leon said the strike would cost the country and the unemployed "very dearly". In Pretoria, members of the Democratic party were shouted down by strikers.

Mr Zwelinzima Vavi, Cosatu's deputy secretary general, told a Johannesburg rally that the attempt to retain a lock-out clause was an effort by rightwing parties and big business "to entrench inequality and to entrench the consequences of colonialism".

President Nelson Mandela said at the end of last week that strikes were part of South Africa's history and there was no need to become alarmed by this one. However, Mr Chris Stals, the governor of the Reserve Bank, followed the announcement of a 1 percentage point increase in the bank rate by saying the top priority was stabilising the currency.

In a television interview on Monday night, Mr Stals said the 17 per cent depreciation in the rand since mid-February could result in a 5 percentage point rise in inflation this year to 10 per cent. But he did not believe at this stage it was necessary to revise the prediction of a 3.5 per cent growth rate.

Currencies and money, Page 23

US denies Israeli political meddling

By Julian Ozanne in Jerusalem

The White House yesterday sought to distance President Bill Clinton from growing criticism in Israel that Washington was meddling in Israeli politics by giving Mr Shimon Peres, the prime minister, the warmest reception ever accorded to an Israeli leader.

Speaking shortly before Mr Peres and Mr Clinton were to unveil a joint Israeli-US defence declaration and anti-terrorism pact, Mr Mike McCurry, White House spokesman, said: "It has nothing to do in our view with Israeli politics. The president, as is well known, would never attempt to interfere in the domestic political environment of another country."

His comments follow growing criticism inside Israel by rightwing politicians of the tremendous boost Mr Peres has received from his Washington visit less than one month ahead of May 29 elections.

Israeli officials have said the defence and anti-terrorism agreements finalised during Mr Peres' visit mark a high point in US-Israeli relations and Washington's policy of fortifying Israel's strategic role in the Middle East.

During the visit the US has also promised a flood of new equipment and technical expertise to Israel to help strengthen its defence systems.

Israel's right wing has rallied anonymously in the media against Mr Clinton, saying the US president was nakedly campaigning for Mr Peres.

However, they have stopped short of publicly attacking the US president, fearful of an electoral backlash in the country, where US support is widely popular and appreciated.

The Likud opposition's criticism has played straight into the hands of Mr Peres' Labour party, allowing his election campaign officials to portray the Likud as bickering while Mr Peres, the statesman, seeks to improve Israel's security.

"Likud accusations are ... irresponsible," said Mr Benjamin Ben-Eliezer, housing minister and head of the Labour campaign's public relations.

Rebels foul path of Africa's success story

A rag-tag army is disrupting recovery in the north of Uganda, write **Michela Wrong** and **Michael Holman**

A wistful look came over Brigadier Chefe Ali's face. "Helicopter gunships with night vision," he said. "If we only had two of those we could sweep the rebels out."

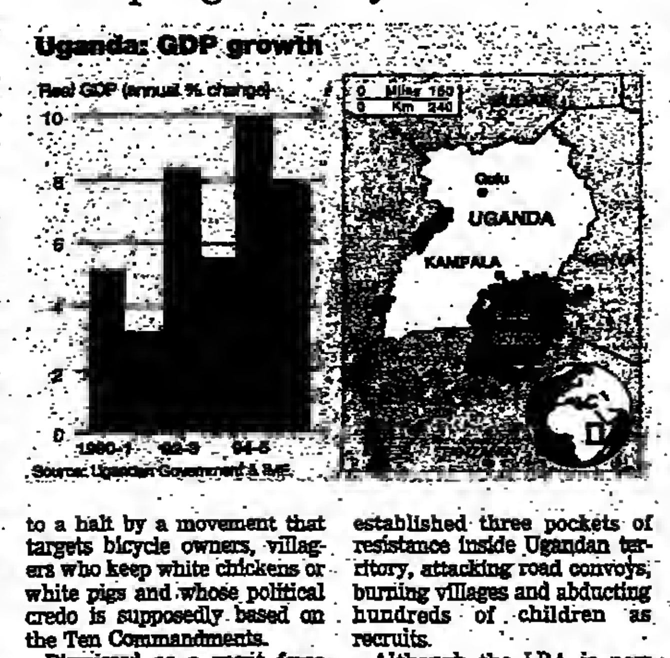
Although guerrilla wars in Africa suggest the side with superior technology does not necessarily prevail, the man in charge of operations against a bizarre rebel movement terrorising the north of Uganda had no doubts.

Sitting under the shade of a mango tree at the military barracks in the provincial capital of Gulu, Brig Ali outlined his strategy.

Let the politicians give him the latest in military technology, said this veteran of President Yoweri Museveni's own guerrilla campaigns, and he would do the job. "We need more sophisticated gadgetry. The rebels will not engage in battle. Whenever you attack, they run away."

Africa's current economic success story, the first country to notch double-digit growth under World Bank and International Monetary Fund-inspired reforms, is being threatened by a *rag-tag bunch of religious* fanatics known as the Lord's Resistance Army, led by former Catholic choirboy Mr Joseph Kony.

In the run-up to presidential elections due on May 9, normal life in a swathe of north-western Uganda has been brought



to a halt by a movement that targets bicycle owners, villagers who keep white chickens or white pigs and whose political credo is supposedly based on the Ten Commandments.

Dismissed as a spent force only a few months ago, the group has been given a new lease of life with armaments supplied by neighbouring Sudan in a tit-for-tat action triggered by Kampala's support for the Sudan Peoples Liberation Army which is waging a civil war against the Moslem regime of General Omar Bashir from strongholds in the Sudanese south.

Once restricted to raids from bases in Sudan, the rebels, whose core strength Brig Ali estimates at 1,000 men, have established three pockets of resistance inside Ugandan territory, attacking road convoys, burning villages and abducting hundreds of children as recruits.

Although the LRA is now supposedly observing a pre-electoral ceasefire declared by their representative in Nairobi, Kenya, the instability in the north has continued unabated as the polls approach. A second rebel group, know as the West Nile Bank Front, has infiltrated from bases in Sudan and Zaire, clashing with the army. Two years ago Gulu was considered to be on the verge of recovery, ready to play its part in the boom transforming Uganda after more than a decade of civil war. Rebels who had survived the successive overthrows of the regimes of Idi Amin and Milton Obote had, it was thought, been brought close to elimination.

Cotton ginning factories were returning to operation, rice production was increasing and there were hopes of a revival in the tobacco crop. The long-defunct railway had begun to operate a twice weekly service.

Today Gulu has the air of a town under siege. Railways service have stopped because of "insecurity", road traffic from the south must now travel in military convoys. Fuel is running low and soap and salt prices are soaring.

Schools have been closed and thousands of families from the outlying area stream into Gulu each evening to sleep in safety. About 7,000 villagers are permanently camped in the town. "The first planting has already been missed because people are not tending their fields," says Reverend Gideon Oboma, Gulu's Anglican bishop. "If this goes on, there is a risk of famine."

At a trauma centre opened by the American charity World Vision in Gulu, children who managed to escape the LRA tell of being made to shoot, kill and burn down homes.

Apart from the occasional poster extolling the virtues of Mr Museveni, there is little sign of the election enthusiasm sweeping the rest of the country. For Mr Museveni, seeking a mandate for another five years in office after a decade at the helm, the timing of the LRA attacks could not be worse. His main rival under a "no-party" system which bars party-based opposition is Mr Paul Ssemogerere, who enjoys a strong following in the north. The LRA has ordered villagers to vote for the former minister.

> The rebels are feeding on a polarisation of Uganda into a prosperous south and a neglected north

The LRA's campaign is not disrupting electioneering in the rest of the country or threatening the Kampala-led economic boom. Under Mr Museveni's pragmatic administration, growth in gross domestic product has averaged around 6 per cent over the past five years and last year was 10 per cent.

But the rebel successes are both exacerbating and feeding on what is already a worrying trend – the increasing polarisation of Uganda into a prosperous, peaceful south and a neglected, underdeveloped and increasingly alienated north.

Under Mr Museveni, a southerner himself, the northern tribes that traditionally dominated the army have felt marginalised. While investment and donor funds have poured into the south, the north has benefited far less.

Disgruntled former soldiers from the Acholi tribe who fought under Obote are believed to form the hard core of the LRA and Mr Kony, abductees say, touts his rebellion as an attempt to revive the crushed pride of the Acholi people.

That argument has so far won few adherents in the villages raided by the LRA: while the authorities acknowledge an element of local collaboration, the vast majority of the population is sickened by the indiscriminate violence.

But there is exasperation at the government's inability to guarantee security and awareness of the region's underdevelopment grows. "People here want Museveni to negotiate with the rebels," says Mr Ignatius Oloyi, the World Vision representative. "They resent the government for not doing enough. They yearn for peace."

Mr Museveni had promised to restore law and order to the north by mid-April. With that deadline missed, the president's greatest achievement – his containment of a brutalised country's violent ethnic rivalries – looks increasingly in jeopardy.

Republicans promise vote as prices rise 10% in a month

US petrol tax under attack

By Jurek Martin in Washington

The Republican leadership in Congress was yesterday planning its response to the latest potential election year issue – the 10 per cent-plus jump in retail petrol prices over the last month.

High on the agenda is the repeal of the 4.3 cents a gallon tax surcharge, a revenue-raising feature of the 1993 budget agreement. Both Senator Bob Dole, the majority leader, and Congressman Newt Gingrich, the Speaker, have already called for its abolition, with Mr Gingrich promising a House vote just before the Memorial Day holiday at the end of May, a peak driving weekend.

The political opening for the Republicans is to be able to portray repeal of the 1993 surcharge as ending what they are already calling "the Clinton gas tax hike". But the legislative difficulty, given their broader priority of balancing the federal budget, is how to compensate for lost revenues – estimated at $30bn over the next six years. "That's a lot," commented Senator Pete Domenici, the budget committee chairman; adding that "offsets" would need to be found.

The increase in petrol pump prices, now dominating political talk radio, has seen the cost of regular self-service unleaded fuel rise to a national average of $1.24 per US gallon (one-sixth smaller than the imperial version). Higher grade petrol is approaching $1.50 per gallon, while in California, with higher state environmental taxes, the $2 barrier has reportedly been breached.

No single explanation for the price surge exists. Inventories are low, partly in anticipation of Iraqi oil becoming available should that country reach a settlement with the UN. There have also been technical production problems at some California refineries.

Demand has been high, because of the popularity of gas-guzzling sports utility vehicles, but also following the congressional decision to lift the mandatory 55-65mph highway speed limits. Most states still retain speed restrictions, but also report less rigorous enforcement of them.

Yesterday, Ms Janet Reno, the attorney general, said her Justice Department was prepared to investigate allegations of "price gouging" by the oil industry which, she said, had been raised by members of Congress.

On Monday, President Bill Clinton authorised the sale, beginning on May 13, of 12m barrels from the strategic petroleum reserve to help relieve pressure on the market. But this amount, the equivalent of about two-thirds of a single day's consumption, was thought no more likely to push prices down much than similar action taken by President George Bush in 1991 following Iraq's invasion of Kuwait.

Abortion motion threatens to rock Republican party convention

The Republican party, its unity already under severe election-year strain, now seems assured of another bruising battle over abortion at its convention in San Diego in August, Jurek Martin writes.

Governor Pete Wilson of California yesterday joined the Republican governors of New York and New Jersey in demanding that the party platform be stripped of its 20-year-old provision calling for a constitutional amendment banning abortion.

Speaking just before a campaign strategy meeting with Senator Bob Dole, the probable Republican presidential candidate, Mr Wilson bluntly warned it could cost the party votes. He said the proposed amendment "will never happen".

Mr Dole's spokesman said the senator "expects the platform to keep the pro-life plank", a statement that did not entirely satisfy the anti-abortion movement. But Mr Dole has nominated Congressman Henry Hyde of Illinois, a leading opponent of abortion, to be chairman of the platform committee.

Mr Wilson's intervention coincided with yet another public opinion poll showing the majority leader falling further behind President Bill Clinton. The USA Today/CNN survey, conducted by Gallup, gave the president a 58-37 lead, four points more than its previous tally early last month.

The abortion issue is clearly a contributory factor, especially among the majority of women who do not want it made illegal. But the pro-life forces inside the Republican party are strong enough to call the tune.

Nature intervenes in Canadian quest to narrow regional gap

Huge mineral deposits give Newfoundland a leg-up in efforts to equalise development across the provinces, writes **Bernard Simon**

Ontario is the richest of Canada's 10 provinces, Newfoundland the poorest. Over the years, politicians have pulled countless levers to try to narrow the gap. Unemployment insurance rules, national healthcare standards, regional development funds and direct transfers from rich provinces to poorer are among the measures that have been tried.

The results have been less than spectacular. Average earnings in the industrial heartland remain 16 per cent higher than on The Rock, as Newfoundland is known. Newfoundland's unemployment rate is 21 per cent, compared with less than 9 per cent in Ontario.

However, Mother Nature may turn out to be more successful than the politicians. A huge nickel, copper and cobalt deposit at Voisey's Bay, Labrador, is set to give Newfoundland a mighty shot in the arm at Ontario's expense.

Voisey's Bay has emerged as one of the world's richest nickel deposits since its discovery in 1994. According to Inco, the Toronto-based metals group that has a stake of about 30 per cent in the deposit, Voisey's Bay will produce 270m lbs of nickel (the main raw material in stainless steel), or 13 per cent of last year's worldwide consumption, when the mine comes on stream in 1999 or 2000. "The impacts are going to be enormous," says Ms Beverley Carter, a Newfoundland government economist.

Mine construction, which is likely to start next year, is expected to expand the number of jobs in the province by about 7 per cent. The mine's revenues, estimated at C$1.5bn (US$1.1bn) a year, could equal 15 per cent of Newfoundland's gross domestic product.

The government and Diamond Fields Resources, the small Vancouver company that controls the deposit, are in the midst of negotiations on tax rates, environmental rules and other regulations. One condition set by Newfoundland is that the mine's owners build a smelter and a refinery in the province.

But while Newfoundlanders celebrate their good fortune, concern is rippling through boardrooms and union halls in the central Ontario city of Sudbury, which has been the centre of Canada's – and much of the western world's – nickel industry for almost a century.

The importance of nickel to Sudbury is epitomised by Inco's 1,250ft-tall "super-stack", which dominates the city's skyline. Inco, the western world's biggest nickel producer, and its rival Falconbridge are by far the biggest private sector employers in the area and the most generous donors to community projects.

Sudbury's mines are no match for Voisey's Bay. Their nickel has an average grade of about 1 per cent, compared with an estimated 2.8 per cent at Voisey's Bay.

Mining costs in Sudbury are pushed up by the depth of the deposits. Inco's Creighton mine extends as far as 7,400ft below surface.

Voisey's Bay is expected to be an open-pit operation. The deposit contains sufficient quantities of copper and cobalt to cover all operating costs. In other words, nickel extraction costs would be zero at present market prices.

Inco and Falconbridge further unnerved some Sudbury residents earlier this year by locking horns in a costly takeover battle for Diamond Fields. The Sudbury Star newspaper quoted one trade union leader complaining that "this is about profits. It's not about the workers in Sudbury". Inco gained the upper hand on April 3 with a C$4.3bn offer that was accepted by Diamond Fields' board. The deal is expected to be finalised soon.

The Ontario city could suffer another blow if Falconbridge chooses to ship nickel to the proposed Newfoundland refinery from its Raglan mine in northern Quebec, at present under construction.

Inco's public stance is that Sudbury has nothing to fear. By reducing the company's average production costs, Voisey's Bay could, "if anything, be the salvation for Sudbury", says an Inco official. "We're going flat out to get every pound of nickel out of the ground in Sudbury."

Ms Darla Scott, president of the local chamber of commerce, is less sanguine. She says that Voisey's Bay is a concern, but adds: "It's early days yet to know the real impact."

Ms Scott is putting her faith less in Inco and Falconbridge than in Sudbury's drive to diversify away from nickel. The city hopes that a large cancer research unit and a pioneering neutrino (particles of matter) laboratory deep down an Inco mine will help attract high-tech businesses.

The municipality's economic development manager recently returned from Germany, where he made a pitch to several dozen German pharmaceutical companies.

In the end however, Sudbury's prospects are likely to hinge on world demand for nickel.

If consumption continues to climb, there could be room for both Voisey's Bay and Sudbury. But if and when the market turns down, it's not hard to imagine which mines will be first to close.

AMERICAN NEWS DIGEST

US consumer confidence up

US consumer confidence rose to its highest level in more than a year last month, providing further evidence that economic growth is reviving. Separate data showed US businesses were keeping labour costs under control, mainly by reducing growth of fringe benefits.

The Conference Board, a business group based in New York, said its confidence index rose to 105.3 from 98.4 in March. The figures surprised Wall Street analysts, most of whom were expecting little change in the index.

Mr Edgar Fiedler, economic counsellor at the board, said the improvement in confidence was "largely attributable to less apprehension about employment conditions". In the latest survey, the proportion of people saying jobs were difficult to get fell from 26.2 per cent to 21.3 per cent, the lowest percentage in more than six years.

The Labour Department said its employment cost index – which includes the cost of fringe benefits such as healthcare – rose 3 per cent in the year to March, against 2.8 per cent in the year to December. *Michael Prowse, Washington*

Colombian rates targeted

Mr José Antonio Ocampo, the new Colombian finance minister, yesterday confirmed that he did not expect to make changes in economic policy when he took over next week. He said his immediate priority was to work with the central bank to try to bring down interest rates. "The conditions are, as we say, ripe," he told Reuters during a visit to London. He said bank deposit rates should come down to just under 30 per cent from the current 33-35 per cent, and lending rates should fall to around 40 per cent from around 46 per cent.

Business leaders welcomed the appointment of Mr Ocampo but said the resignation of his predecessor, Mr Guillermo Perry, was a serious loss in terms of economic management. *Sarita Kendall, Bogotá, and Reuter, London*

Brazil's minimum pay rises

Brazil'a minimum monthly wage rises today from R$100 (US$101) to R$112 and pensions payments are increased by 15 per cent. Mr Pedro Malan, finance minister, said the increased minimum wage would provide a real increase in earnings of 7 per cent over the past year without provoking any rise in the rate of inflation.

However, union and opposition leaders protested that the increases failed to compensate for earnings lost to inflation over the past year. Mr Luiz Inácio Lula da Silva, a leader of the opposition Workers party, described the increases as "absurd". "The government could double the minimum salary over its four-year mandate without fuelling inflation," he said.

Brazil's minimum wage is among the lowest in Latin America and about a quarter of all workers earn no more; in the poor north-east, some public employees earn as little as a quarter of it.

However, a bigger increase would have put a severe strain on Brazilian public accounts.

● A former policeman was sentenced to 30 years in prison yesterday for his part in the killing of eight Rio de Janeiro street children in July 1993. The killings caused international outrage and yesterday's judgment was seen as a test of credibility of Brazil's criminal justice system.

Marcus Vinicius Borges Emmanuel admitted taking part in the massacre but claimed to have killed only one of the children himself. Mr Emmanuel was identified at the trial by a survivor of the massacre, who moved to Switzerland after receiving death threats. The trial of three other defendants is to continue on May 27. *Jonathan Wheatley, São Paulo*

WTO telecoms plan under scrutiny

By Frances Williams in Geneva

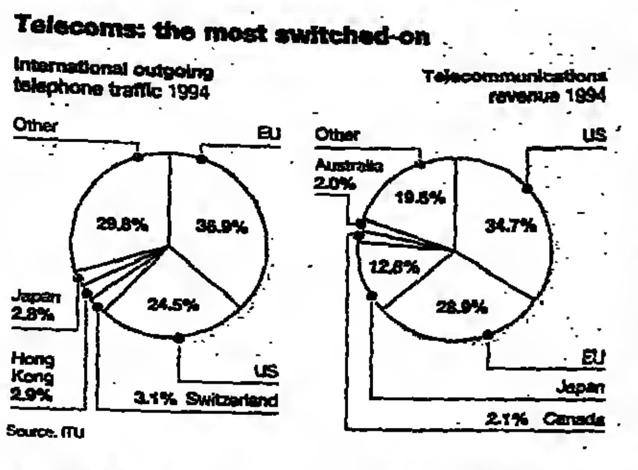
Trade negotiators were meeting late yesterday to discuss a World Trade Organisation plan to postpone for up to a year yesterday's deadline for agreeing a global pact on liberalising the $500bn-plus world telecommunications market.

The plan, proposed by Mr Renato Ruggiero, WTO director general, after the US refused to join an accord, would keep existing liberalisation offers on the table in the hope that they can be improved later.

The implementation date would remain the same as previously planned – January 1 1998.

However, the 53 countries involved in the talks were yesterday still haggling over the new deadline for a deal, with the European Union insisting on February 15 1997, the US favouring a month later and others suggesting April 30 1997.

Telecoms: the most switched-on



Source: ITU

The earliest date would be awkward for the US, coming just after the new administration takes office following November's presidential election. Later dates pose problems for countries such as Japan which might experience difficulties ratifying the accord in time.

Sir Leon Brittan, EU trade commissioner, said yesterday that prolonging the negotiations was the only alternative to losing all the progress that had been made in more than two years of negotiations at the WTO. "We regret and deplore" the US stance, he said.

Sir Leon said the postponement of the talks was a "missed opportunity" to help create a global information society and a setback for the multilateral trading system.

Brussels said it could not salvage a provisional accord in telecoms without the US, as it had in financial services last summer, because the US is too big a player in world markets. Other trade officials said the telecoms delay boded ill for the already-troubled WTO talks on maritime services, due to end in June.

The EU and others were ready to reach an agreement yesterday which would have opened all or part of their telecoms markets to foreign operators under agreed competition rules.

On Monday, to the anger of trading partners, US officials said Washington needed the right to refuse licences to foreign companies wishing to operate international services out of the US.

The US was also reluctant to open satellite services to foreign competition, arguing that very few countries had reciprocated.

EU officials claim that both problems could have been satisfactorily resolved by yesterday, paving the way for a comprehensive telecoms accord.

The postponement reflects the hope that when negotiators return to the bargaining table they will be able to improve on present offers.

However, if countries are still not satisfied, they will be able to downgrade or withdraw market-opening proposals, with the risk once again that a deal could collapse.

Brittan blames US for telecoms delay

By Nancy Dunne in Washington

Sir Leon Brittan, the EU trade commissioner, yesterday blamed US presidential politics for the failure to reach a global telecommunications agreement by the original deadline.

"I know it is difficult to reach conclusions of a far-reaching kind in a year with a presidential election," he said.

US officials were slow to respond, but one noted: "We have been saying all along that unless a critical mass of offers was achieved, we weren't going to be able to move." Washington has also been critical of the offers made by other countries, singling out Canada and a number of Asian countries for criticism. This was especially true in international telecommunication services, where the US was concerned to prevent unfair competition from operators based in non-liberalised countries.

A US regulatory official said there were reasons to hope an extension to the talks would lead to improved offers. Brazil, Australia and Switzerland all have legislation pending which would liberalise their markets. But others – India, specifically – have "political roadblocks" to be overcome.

US telecommunications companies were hopeful about an extension. Mr John Windolph, spokesman for Iridium, a 17-member consortium including national governments, said it could be "a positive move" but in the meantime, Iridium would seek individual licences through its member companies.

There was agreement among industry representatives, advising US negotiators, that the offers on the table were not sufficiently tempting to sign the deal. There was also muttering that AT&T had been at best unenthusiastic, and unwilling to encourage any more competition in the US telephony market.

A number of reasons moved the US to reject the deal on the table. Disagreement has arisen between Congress and the executive over whether the Administration would be required to seek legislation for deal.

A letter written by four key senators last week expressed concern about "the independence and integrity of the Federal Communications Commission".

Furthermore, passage of the landmark 1996 communications bill – which tore down regulatory walls between telephone, cable and broadcast industries – has created uncertainties which some feel "need to be shaken out".

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Jakarta tries to keep car row out of WTO

By Manuela Saragosa and AFX-Asia in Jakarta

Indonesia has made clear it does not want Japan to take its objections to Indonesia's national car policy to the World Trade Organisation, and says it will send a delegation to Japan to continue negotiations over the issue.

Officials from Japan's Ministry of International Trade and Industry, who say Indonesia's national car policy breaches WTO regulations, were in Jakarta to discuss ways of resolving their differences. The two sides failed to find common ground after two days of talks but have agreed to continue discussions in mid-May.

Indonesia has come under mounting international criticism over its vehicle policy. President Suharto has given his youngest son, Mr Tommy Mandala Putra, large tax breaks unavailable to existing car assemblers in Indonesia, to manufacture what is being touted as a "national" car in a technical assistance arrangement with South Korea's Kia Motors.

The concession would make PT Timor Putra Nasional's cars about half the price of foreign cars, which face steep import and luxury goods taxes that raise their cost by more than 60 per cent.

Mr Tunky Ariwibowo, Indonesia's minister of trade and industry, made clear he would prefer the issue to be settled bilaterally without recourse to the WTO: "We do not want this small issue of automotive policy differences to jeopardise the economic relations ... between Indonesia and Japan."

However, Mr Hidehiro Konno, Miti's director general, warned that "confidence in Indonesia is at stake" and the affair could "result in a very unfortunate outcome".

Mr Konno said tariff exemptions based on local content levels for cars were against the WTO's national treatment regulations. Indonesia's car policy broke the principles of transparency and non-discrimination agreed under the Asia-Pacific Economic Co-operation forum.

There is some hope that Japan may be able to secure concessions from Indonesia. Mr Tunky noted that issues such as the luxury sales tax on cars in Indonesia were among the issues discussed yesterday.

German investment accord with Cuba

By Pascal Fletcher in Havana

Germany yesterday signed a bilateral investment promotion and protection agreement with Cuba, a step signalling Bonn's clear opposition to US legislation aimed at discouraging foreign investment on the communist-ruled Caribbean island.

It was the first government-to-government foreign investment accord with Cuba to be announced since the introduction by the US on March 12 of the Cuban Liberty and Solidarity Act.

This US law threatens penalties against foreign companies and executives who "traffic" in property in Cuba expropriated from Americans, including Cuban exiles.

At a signing ceremony in Havana, Mr Heinrich Kolh, German junior minister for the economy, said his government shared with the US similar ideas about democracy, human rights and the importance of the market economy.

But Germany, and the European Union opposed what he called US unilateral and extra-territorial measures that went against the interests of its overseas investors.

Mr Kolh said the agreement with Havana, which follows 18 months of negotiations and provides legal protection for reciprocal investments, increased the guarantees for German businessmen wanting to invest in Cuba. Havana has signed similar accords with more than 10 other nations, including Italy, Spain and Britain.

The flow of German tourists to the island was expected to increase, he said, and German businessmen were interested in increasing trade and exploring investment projects. Two-way trade increased in 1995 to DM151m ($99m), more than 30 per cent up on 1994.

The EU said yesterday it was taking the first step towards calling a World Trade Organisation (WTO) dispute panel over the US legislation on Cuba. The European Commission requested formal WTO consultations with the US.

WORLD TRADE NEWS DIGEST

Pressure grows on mines groups

Two of the world's biggest mining companies, RTZ-CRA, the Anglo-Australian group, and Freeport McMoRan of the US, are coming under increasing pressure from special interest groups to stop expansion at the Grasberg copper and gold mine in Irian Jaya.

A leader of the Amungme tribe, Mr Tom Beanal, is suing Freeport in a New Orleans court, claiming $6m and alleging environmental, human rights and social-cultural violations against the indigenous population. Freeport yesterday described the lawsuit as a "publicity ploy" and insisted there was "no basis in law or in fact" for the claims.

The World Development Movement has started a campaign in London calling on RTZ to withdraw its £500m ($755m) investment in the expansion of Grasberg, claiming it will lead to "further environmental and social destruction".

While making no allegations of human rights abuses against Freeport or RTZ-CRA, WDM said it was concerned "that multinationals which profit from these resources enjoy the protection of those who repress the people of [Irian Jaya]". *Kenneth Gooding, London*

Biogen claims drugs victory

Biogen claimed a first round victory yesterday in a legal fight with Schering, its German rival, over the lucrative market for multiple sclerosis drugs. A ruling by a US district court judge rejected a temporary restraining order by Berlex, Schering's US arm, that sought to stop the US Food and Drug Administration granting approval to Biogen's drug, Avonex. The Biogen drug would be the first to challenge the effective monopoly in MS of Schering's drug Betaseron.

Schering had argued that the FDA had violated rules on protecting some drugs from competition in return for investment in the drug's development. *Daniel Green, London*

Shell plans Indian subsidiary

Royal Dutch Shell, the Anglo-Dutch petroleum and gas conglomerate, has applied to set up a wholly-owned subsidiary in India to make and market petroleum products, natural gas, liquefied natural gas and petrochemicals, and to undertake coal mining.

The company plans to invest $75m in its Indian operations over five years, and has put in e proposal to import and market kerosene and liquefied petroleum gas independently of Indian public sector companies. *Shiraz Sidhva, New Delhi*

Visitors boost Polish revenues

Purchases by visitors from former east Germany, the Czech Republic and the former Soviet states added $2.3bn to Poland's revenues last year. Tourists and cross-border shoppers paid 8.2m visits and spent $3.7bn in Poland during 1995.

Spending by visitors from Germany, attracted to Poland's depressed western frontier regions by lower prices for petrol, food and consumer durables, reached 4.5bn zlotys ($1.8bn) last year and grew by 24.6 per cent.

Poland's Central Statistical Office estimates that purchases by foreigners, who paid four times as many visits to Poland last year as in 1990, accounted for about 5 per cent of domestic retail sales last year. *Christopher Bobinski, Warsaw*

■ Marks & Spencer, the British-based retailer, yesterday said it would open its first Czech franchise in Prague later this year. It is to occupy two floors of the new Myslbek Centre in the city's banking district. The company did not give any further details on expansion plans. *Reuter, Prague*

Japan keen for bigger part on world stage

Tokyo, economic giant but political pygmy, is treading carefully as it raises its voice in international affairs, writes **Bruce Clark**

When Mr Yukihiko Ikeda, Japan's foreign minister, came to Brussels a few days ago, he received some insights into the intricacies of western etiquette.

In five hours of talks between Japanese ministers and the European Commission, two hours were devoted not to technical issues such as deregulation and pigment but to foreign policy on e broader plane: the Balkans, the former Soviet Union, North Korea.

In deference, however, to the European Union's 15 member nations, these discussions had to be conducted over a sumptuous dinner. Member states are happy for the Commission to talk foreign and security policy at meal-times, but not across an empty table.

Mr Ikeda understood: he too is treading carefully as he raises Japan's voice in international affairs. But he came to Brussels with the message that Japan and western Europe can and must co-operate in the wider international arena.

As the minister noted in an interview after the meeting, the economic questions that have hitherto dominated EU-Japanese talks "are inseparably connected with international politics and security-related topics" which neither side can ignore.

While EU officials present their bloc's emerging external policy as an opportunity, Mr Ikeda portrays the raising of Tokyo's diplomatic profile as an obligation, necessitated by a "state of flux" in the world which he describes in ominous terms.

Japan's image as an "economic giant and political infant" had been tolerable at a time of certainty in international relations; but it was untenable in a post-cold war world marked by the absence of any clear international order and a high chance that the whole framework of diplomacy will change significantly.

Foremost among the topics which Japan and EU could not avoid discussing was the future of one country that is a close neighbour to both, Russia.

And the minister, while stressing that all Group of Seven countries agreed on the basic points of policy towards Moscow, gave a more cautious assessment of that country's prospects than most west Europeans. "If Russia were to regress to the old regime, it would not be positive for the rest of the world," he said. "We must see to it that the trend for reform which is now under way takes firmer roots in Russian society."

Asked if there were differences between Japan and western Europe over Russia, he said: "I would say the Europeans are too optimistic. . . We are not pessimistic, just realistic."

But he stressed the good chemistry he had established with Mr Yevgeny Primakov, his Russian counterpart. Mr Ikeda's own beliefs were those of a liberal with a streak of pragmatism – while Mr Primakov was s pragmatist who had learned to get on well with liberals.

The minister is even more flattering about his hosts in the European Commission: he finds them "competent, charming and attractive personalities" – worthy representatives of a continent which had produced great statesmen such as Adenauer, de Gaulle and Thatcher. . .

And despite their differences over trade, the admiration is mutual. To the irritation of Britain and France, who are protective of their own seats, the Commission backs Japan's wish for a place on the United Nations Security Council.

If this hope is fulfilled, Mr Ikeda suggests, the Europeans may find Tokyo a helpful partner. Take Iran: Japan did not view it as "an irreparably lost child" and hoped it would "return to the international community as a well behaved member."

So Tokyo was closer to the European policy of critical dialogue with Iran than the US policy of isolation. More broadly, Mr Ikeda had reservations about the US emphasis on isolating pariah states.

While some states deserved tough treatment by the world, relentless efforts to exclude awkward regimes could risk paralysing the UN, which was supposed to embrace all members of the international community, he said.

But even as he distances himself from the US approach, Mr Ikeda does not forget his manners. "I'm saying this as a close friend of the US, trying to give a piece of advice."

Ikeda: Japan and Europe must co-operate in world affairs Reuter

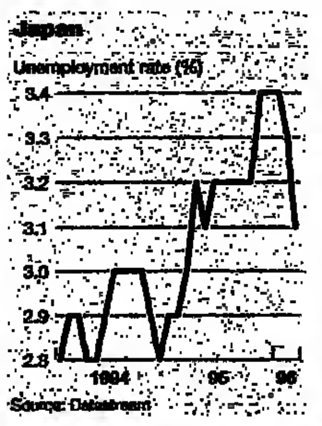
Japan jobless falls as small businesses expand

By William Dawkins in Tokyo

Japanese unemployment fell slightly to 3.1 per cent in March, as new jobs at small and medium-sized service sector companies started to compensate for continuing job losses at manufacturing giants.

The jobless rate fell for the second month in a row, from 3.3 per cent in February and a post-war peak of 3.4 per cent in January. At the same time, the number of people in work rose by 170,000, or 0.3 per cent, during the year to March.

This confirms that the recovery is starting to lift the employment market, but the improvement comes from a very low base and joblessness is unlikely to dip below 3 per cent this year, said Mr Brian Pearce, chief economist at SBC Warburg Securities in Tokyo. To underline the job market's continuing relative weakness, the labour ministry yesterday reported that there were just 67 vacancies available per 100 applicants in March, the same as in the previous two months.



Yesterday's job figures illustrate a shift of economic activity from production into services and from large companies to small, a consequence of the maturing of Japan's formerly manufacturing based economy and the loss of manufacturing competitiveness to east Asia. Businesses with 500 or more employees shed 220,000 jobs in the year to March, while companies below that size created 810,000 over the same period.

Service industry employment rose by 1 per cent to 15.62m jobs in the year to March, while manufacturing industry lost 1 per cent of its workforce, down to 14.27m in March. The biggest job loser was agriculture, a where jobs fell by 5.6 per cent to 2.89m over the period.

By sector, construction was the largest creator of jobs, up 3.8 per cent to 6.8m, the beneficiary of public works programmes.

Separately, the construction industry announced an 8.2 per cent year-on-year rise in housing starts to 122,394 in March, a consequence of Japan's record low interest rates.

Australia sets timetable for telecom deregulation

By Nikki Tait in Sydney

Australia's new federal coalition government will introduce legislation for full deregulation of the country's telecommunications industry this year, and yesterday pledged to have the new competitive regime in place by mid-1997.

Senator Richard Alston, the communications minister, said he planned to introduce the necessary legislation into parliament in the session starting in August.

"I am determined to ensure that we are able to meet our self-imposed timetable of having the main legislation through parliament by the end of calender 1996," he said in the coalition's first major statement on telecoms policy since the government changed on March 2.

Drafting of the legislation will be preceded by a "telecommunications working forum", to be held during the next month, at which leading members of the industry will be asked to comment on issues such as carrier licensing and access arrangements.

Australia has been moving towards a more competitive telecoms market for some years, with Optus, a relatively new carrier, competing with government-owned Telstra in the long-distance market. Optus and Britain's Vodaphone compete with Telstra for mobile phone business.

The mid-1997 date for full deregulation was endorsed by the previous Labor government and work had been done in devising a new regulatory framework. The coalition also said during the election campaign it would stick to its opponents' timetable but this is the first time that Senator Alston has confirmed this.

Senator Alston yesterday acknowledged some of the difficulties in devising an access regime, noting that "the legitimate ownership rights of carriers. . . must be carefully balanced against the broader public interest in developing competition in the supply of content and carriage services".

He also stressed that the coalition remained "commited to the concept of universal service as a matter of social equity and inclusion".

The government's efforts to establish a fully deregulated regime are further complicated by its simultaneous desire for partial privatisation of Telstra, whose lucrative monopoly position is being eroded. But Senator Alston claimed both he and the finance minister took the view "that the promotion of a competitive environment. . . must have primacy over any desire for simple revenue maximisation from the sale of Telstra".

Fears grow for Manila's tax reform plans

By Edward Luce in Manila

The Philippine Congress embarked on what has been billed as its most important session yesterday amid rising concern that the legislature was preparing to maul the administration's centrepiece economic tax reform.

With only two years to go before President Fidel Ramos completes his six-year presidential term, government officials say the new session could be the last "window of legislative opportunity" before senators and congressmen begin posturing in earnest for the 1998 poll.

The tax reform, which has been urged on the Philippine government by the International Monetary Fund and foreign investors, seeks to broaden the country's tax base and reduce the number of bands from nine to three.

Enactment of the reform – by no means certain owing to intensive lobbying from powerful business groups – would enable the government to generate recurring fiscal surpluses for the first time. Over the last two years it has relied on extraordinary revenues from its privatisation programme to post small budget surpluses.

"This is the most important reform of the entire Ramos administration," said Professor Julius Caesar Parrenas of the University of Asia Pacific in Manila yesterday. "If it fails foreign investors will rightly be able to say that the country cannot be trusted to deliver the degree of macroeconomic stability that they seek."

Government officials say opposition from some congressmen to vital measures in the package – including the proposed shift from *ad valorem* taxes to excise taxes on tobacco and beer - could render the final version revenue-negative.

This would endanger the country's improved relationship with the IMF, which is due to review conditions on the country's three-year IMF "exit" programme next month.

It would also deter foreign credit rating agencies, such as *Standard & Poor's*, from upgrading the Philippines to investment grade status this year.

Officials say the extent of congressional opposition to some clauses in the reform bill could force President Ramos – by nature a consensus-seeking politician – to intervene heavily to prevent the bill from derailing.

Since coming to office Mr Ramos has never used or threatened to use his US-style presidential veto. "Bequeathing the legacy of a modern and efficient tax system must be a powerful *motivation* for the president to get this reform through," said William Daniel, head of the BZW office in Manila.

Chinese to cut interest rates

By Tony Walker in Beijing

China said yesterday it would cut interest rates from today in an apparent attempt to maintain strong economic growth. There have been signs that the economy is slowing.

The announcement by the People's Bank, the central bank, of a cut of 0.75 percentage points in the commercial loan rate of 12.06 per cent also indicates the government is confident of progress in curbing inflation. Inflation has come down from 21.7 per cent in 1994 to 7.7 per cent in the first quarter of 1996.

The authorities also announced a cut of 0.98 percentage points in the rate on one-year term deposits of 10.98 per cent.

Mr Joe Zhang, economist at the brokers W I Carr in Hong Kong, said the interest rate cut was the "first time in 40 years" the Chinese authorities had reduced rates. It was an indication of concern over continued lack of corporate profitability and bulging inventories.

This was in spite of an easing of credit since the last quarter of 1995. The government has committed itself to tight monetary policies but has also indicated willingness to loosen credit selectively.

China instituted a credit squeeze in mid-1993 to cool an overheating economy and curb growing inflation. The central bank also subsequently raised interest rates. The economy grew by more than 10 per cent last year and is expected to grow about the same this year, but the suthorities have become concerned about slowing activity in certain areas, especially in the depressed north-east industrial heartland.

In Beijing, the representative of an international lending institution said apparent softness in some sectors of the economy "had to be a very real economic and political concern". China is battling to find jobs for 16m new entrants to the workforce each year.

China's merkets had rebounded in anticipation of the rate cut. Both A-shares for local investors and B-shares for foreigners have risen sharply in the past week.

An undiscovered state of wealth

Philippine growth figures do not reflect its soaring black economy, writes **Edward Luce**

SM Prime, the Philippines' largest retail company, reckons it knows more about the Philippine economy than Manila's army of government statisticians and tax collectors.

The group, which plans to build the biggest shopping centre in the world in Manila, says thet the explosion of retail spending since 1993 makes a mockery of official growth figures.

"Wa cater to all income brackets but especially low and middla income brackets, so we can measure quite accurately what is happening across the economy," said Mr José Sio, head of finance at S M Prime.

"At the moment over half a million people visit Mega Mall [the largest mall in Manila and Asia] over weekends, not to mention our other malls. These people are not rich. But their spending is going up by about 20 per cent a year."

Although the Philippines – currently debating a controversial tax reform bill to modernise the country's fiscal system – does not have a monopoly on tax evasion or underground business activity in south east Asia, sectoral growth figures suggest that the country's rate of expansion is more understated than elsewhere.

With tax revenues amounting to only 14 per cent of gross domestic product – significantly lower than most of the Philippines' neighbours – private sector groups say that the size of the country's black economy puts it in a category of its own.

Business executives say last year's gross national product growth of 5.7 per cent does not square with the breakneck growth of retail spending (up 20 per cent), banking deposits (up 25 per cent) and car sales (up 68 per cent) during the last 12 months.

An anecdotal poll of chief executives indicates that the Philippines' GNP growth could be understated by between a third and a half. This suggests a growth rate of more than 7 per cent last year – a figure more in tune with the superlatives heaped on the Philippines' performance by emerging market watchers.

"Regardless of what the figures tell you, the Philippine economy is growing very rapidly," said Mr Jaime Augusto Zobel de Ayala, president of Ayala Corp, the country's largest holding company. "What we see in the property sector, both at the high end and in low-income housing, suggests that there is a lot more to this economy than meets the eye. Half our clients nowadays offer us full cash payments for our middle-income housing units."

Economists say that the country's black economy has three aspects.

First, a large proportion of the annual remittances repatriated by the country's estimated 4m overseas contract workers is returned in cash form. As the banking system liberalises and the cost of financing drops, a greater share of remittances will go through official channels. At the moment, though, billions of pesos continue to seep back into the black economy.

Second, only a fraction of the country's high income earners pay real taxes.

A recent survey by the Bureau of Internal Revenue, which along with much of the rest of the public sector including customs is being targeted for overhaul, found that a tiny proportion of Manila's dollar millionaires measured by real estate ownership paid more than US$10,000 in income taxes last year.

Last, the rich have repatriated billions of dollars since the economy recovered three years ago. An unmeasurable proportion of this "reverse capital flight" has been returned in cash form and has therefore not been registered with the central bank.

"Arguably estimates of the size of the country's informal economy suggests the tax reform bill is not as important as some people are saying it is," said Mr Joey Salceda, chief researcher at SBC Warburg in Manila.

"The country's entrepreneurial drive is pushing ahead regardless of what the politicians do."

Mr Sio and other executives say that the country's per capita GNP income of slightly more than US$1,000 – US$2,500 on s purchasing power parity basis (considered a more accurate measure of income as it takes into account exchange rate differentials) – should be more like US$1,400 if estimates of the black economy are included.

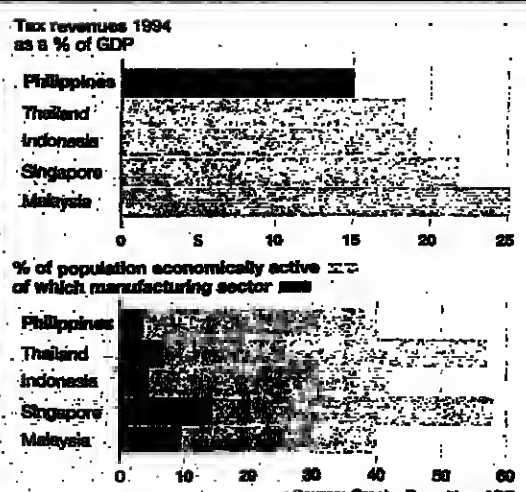
This would push PPP estimates above US$3,000 – a rather more invigorating picture of the Philippine economy.

Meanwhile, the government says it is updating its tax database by installing a state-of-the-art "computer mapping" system which marks earnings next to the subject's address on a computer representation of residential areas.

The mapping software will apparently make tax evasion e great deal harder in future by making it easier for officials to pinpoint where high earners live. The underground economy, therefore, could soon be forced to burrow deeper.

Philippines: where does the economy really stand?

A plethora of foreign goods on sale: traders believe their statistics are more indicative than official ones



Source: Crosby Securities, ADB

Fees charged in rights issues to be probed

By Norma Cohen and David Wighton

The Office of Fair Trading has signalled its determination to break the system of fixed commissions which the City of London charges companies for raising money on the stock market. It will decide in six months whether to refer the matter to the Monopolies and Mergers Commission.

Mr John Bridgeman, director-general of fair trading, has told City firms that his office is launching a review of the underwriting commissions charged in rights issues. It has also written to companies which have had issues in the past year asking for details of how the fees were determined. The Treasury is thought to support the OFT's move because of worries that high underwriting fees increase UK companies' cost of capital.

The OFT concluded last year that the current system results in companies being significantly overcharged. At the time, it decided not to refer the system to the MMC, but was persuaded by the London Investment Bankers' Association (Liba) that two years should be allowed for price competition to emerge. An OFT official said yesterday that it had decided to speed up its investigation because it had seen no evidence that fee structures were responding to competition. "We have been somewhat disappointed by the lack of progress since [last March]; we felt that to allow this to drag on over two years might be too long," he explained.

The OFT has now written to the finance directors of 80 companies which have launched rights issues in the past year, asking whether they tried to negotiate either the fee which they were charged for advisory services and underwriting or the discount at which the new shares were sold.

UK companies are invariably charged fees of 2 per cent of the value of the capital raised, regardless of the quality of the issuer or market conditions prevailing at the time. In March last year, the OFT issued a report concluding that UK companies had been overcharged by £289m ($436.4m) between 1986 and 1993.

Companies would have until the end of May to respond to the survey and Mr Bridgeman would decide in about six months' time whether to refer the matter to the MMC, an official said.

Yesterday, Mr John Manser, chairman of investment bank Robert Fleming and chairman of Liba, said that it was companies and shareholders who determined fee structures, not the merchant banks and stockbrokers.

He said the question was whether existing shareholders would be more flexible with regard to the rules on "pre-emption" which gave them the right to buy any new shares issued by a company.

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Takeover decisions 'must be clarified'

By Stefan Wagstyl, Industrial Editor

Mr John Bridgeman, the director general of fair trading, has called for an information campaign to explain the electricity industry in the wake of criticism of last week's government decisions to block bids by National Power and PowerGen, the generators, for electricity distributors.

Greater public knowledge of the industry would lead to a better understanding of such decisions, said Mr Bridgeman in the first interview given by a senior competition policy official since Mr Ian Lang, the trade and industry secretary, announced the controversial bid rulings.

Mr Bridgeman was responding to claims from City of London analysts, businessmen and competition lawyers that Mr Lang's decision had left them confused and uncertain about the future direction of competition policy.

There was widespread surprise that Mr Lang had rejected recommendations from the Monopolies and Mergers Commission, which prepares detailed reports on competition issues, to approve the takeovers of Southern Electric by PowerGen and Midlands Electricity by National Power.

Mr Bridgeman said he, other competition policy officials and the media had a responsibility to explain the dynamics of electricity – and of other industries which came up for examination by the competition authorities. Mr Bridgeman said that there were no generalisations in competition policy. Decisions were reached industry by industry and case by case, he said.

Questions to be asked included: "Is the market growing or is it declining? Are there substitution effects? Are there artificialities in the cost base? What is the regulatory regime? What is the debt to equity structure? Is there evidence of sub-normal or supra-normal profits or cash generation? Is there over or under-investment compared with the sector?"

Mr Bridgeman declined to discuss the details of last week's decisions. But he warned against prejudging the development of an industry which had only recently emerged from privatisation. "In terms of what is right for the UK, you cannot say what is right until the players emerge, until the network develops, interconnectivity becomes transparent and fuel costs are all free market and not just some."

Mr Bridgeman said: "Competition policy isn't about predetermining winners and losers. It's about allowing a market to be available so that winners and losers can emerge."

Water shortage may boost takeover bids

By Leyla Boulton, Environment Correspondent

The receptionists telling customers earlier this week that South West Water's telephone lines had crashed seemed to confirm an unfortunate image of the company as accident-prone.

But the company's real problem was at Roadford reservoir, a 45-minute drive away from its headquarters in the south-west England city of Exeter. With only a few weeks before what is expected to be another hot dry summer, South West Water's strategic reservoir was just 41 per cent full after an exceptionally dry winter.

After imposing a hosepipe ban on half its 3m customers last summer, the company has warned that 1.5m more people face similar restrictions this year. These constraints sit particularly poorly with customers who already pay the highest water charges in the country and, like much of the British public, perceive utility bosses as overpaid "fat cats".

South West Water has not had it easy. It has the smallest customer base to support the biggest investment programme in the industry because of European Union regulations which demand a clean-up of its long coastline.

The recent poor publicity surrounding the company has made it vulnerable to a takeover: it faces bids from Wessex Water and Severn Trent which are due to be referred to the Monopolies and Mergers Commission.

Mr Kevin Lapwood, water analyst at stockbrokers Merrill Lynch, said a particularly acute political row over water in south-west England meant that the government was likely to approve a takeover.

If the government "could be seen to be doing something" to absolve it of responsibility for poor performances from privatised water companies, Mr Lapwood said, "it could then fight a general election on other issues like tax cuts". Like a number of other water companies, South West Water has been working hard to reverse its recent misfortunes under new management.

Mr Bob Baty, one of the lowest paid managing directors in the industry, said he had reorganised the top management so that it focused on its customers.

In this light, the company recently improved its compensation schemes for disruption of supplies to customers (albeit excluding hosepipe bans) and unveiled a £150,000 ($226,500) fund to help needy customers with their bills. It has also eliminated pay practices criticised by the committee headed by Sir Richard Greenbury which investigated the issue of executive pay last year.

Finally, it has spent an extra £20m to boost water supplies over the winter. At the same time, Mr Baty has warned that society will sooner or later have to open a debate about balancing its growing demand for water and the environmental constraints on how much water can be squeezed out of stretched rivers and dry weather.

Mr Baty's fence-mending with customers has already won the approval of the water consumer body for the south-west: Ms Jessica Thomas, chairman of Ofwat's customer service committee for Devon and Cornwall, said she had detected a marked "improvement" in the company's relations with its customers.

But it may be too late for South West Water's management to reap the benefits of its efforts. Ms Thomas said that South West's customers would support any takeover that led to further improvements in service and a lowering of charges.

Ofwat, the industry regulator which in principle sees mergers between big water companies as harmful to consumers' interests, could also be won round to any deal that passed on cost savings to customers.

At the same time, Ms Thomas warned prospective predators that failure to deliver "immediate, continuing and long-term benefits" would land them in the same political trouble as South West Water. "Water is the political issue in the south-west," she said, adding that "political pressure could rise up again" in no time.

Mr Bob Baty (inset), managing director of South West Water, has warned more customers they may face hosepipe bans. The company's Roadford reservoir is 41 per cent full and the Environment Agency reported water stocks well below average in other parts of Britain. The agency said most restrictions on consumption, such as hosepipe bans, would probably have to remain this summer. It also warned farmers it would seek voluntary restrictions on irrigation.

EU to spend more than $1bn on tackling 'mad cow' crisis

By Neil Buckley in Brussels and Caroline Southey in Luxembourg

The European Commission plans to set aside Ecu873m ($1.08bn) to deal with the effects of the crisis over BSE, or "mad cow disease", adding a full percentage point to the increase in the total European Union budget for next year.

The announcement came as Mr Franz Fischler, the EU commissioner for agriculture, told farm ministers in Luxembourg that at their next meeting on May 20 he would table market measures to support farmers affected by steep falls in beef consumption.

Mr Erkki Liikanen, the budget commissioner, announcing the Commission's draft budget for 1997, said that without the extra provisions for agriculture, growth in the budget would have been kept to 2 per cent, reflecting rigorous efforts to control costs. But the beef crisis had pushed the increase to 3 per cent.

The draft budget will have to be agreed by the Council of Ministers and the European parliament. Britain has traditionally opposed increases in agriculture spending, arguing instead for cuts in the Common Agriculture Policy which next year will stand at Ecu41.8bn, about half the total EU budget.

The Commission wants special provisions of Ecu368m to be made in the agriculture budget to fund slaughter programmes already agreed, with a reserve of Ecu505m to cover the additional selective slaughtering programme still to be agreed, and further market support measures.

Mr Liikanen added that he believed between Ecu300m and Ecu500m might be needed in both 1998 and 1999 to cover continuing costs resulting from the beef crisis. This was likely to be funded out of a guideline figure of Ecu2bn set aside for unforeseen expenditure.

The BSE crisis will lead to a 4 per cent drop in output for the UK food manufacturing sector this year, Charterhouse, the investment banking group, forecast yesterday, Alison Maitland writes. It predicted a lasting impact on the sector, with output growth depressed to 1.6 per cent a year to 2001 compared with 2.4 per cent had the crisis not occurred.

Output in meat processing is forecast to fall 17 per cent this year, with a recovery later if the crisis ends. "The decline in spending on meats relative to other spending, already well-established, will accelerate," said the bank.

At least eight EU countries made pleas for special support measures for farmers. The requests from France, Germany, Spain, Belgium, Austria, the Netherlands, Ireland and Luxembourg included raising premiums for bulls and suckler cows, removing the ceiling on how much stock can be sold into intervention and funds for an EU-wide campaign to promote beef.

In the first signs that the crisis over BSE could affect broader farming policies, Mr Fischler told the ministers that future agriculture policies should "take account of the consumers' interests and concerns".

He proposed increasing a premium paid to farmers who produce beef on grass and have low stocking levels. By raising the payment, Mr Fischler would send a strong message that the EU favoured farmers who used organic rather than intensive farming methods.

The measure would also ensure the EU was not breaking rules under the General Agreement on Tariffs and Trade which limit market support payments to farmers.

Suicide findings underline call for sheep dip ban

By Alison Maitland in London

The government was urged yesterday to ban organophosphorus sheep dips after research from Spain showed that suicide rates in areas of heavy use of the chemical were four times the national average.

Dr Robert Davies, a consultant psychiatrist from Somerset, who has studied 33 patients with mental and sensory disorders apparently linked to OP dip poisoning, said that he had previously hesitated about calling for a ban. But he told a meeting of MPs at the House of Commons: "This work, in my view, makes the case watertight."

The study, by Dr Tesifón Parrón, a psychiatrist with the Andalucian health service in Almeria, investigated 250 suicides over 12 years in three adjoining districts with similar populations. In one district, in which about 80 per cent of Spain's greenhouses are concentrated and OP sprays are heavily used, the suicide rate was four times the national average, said Dr Davies.

Dr Davies said: "It seems to me these are lethal agents. They directly induce mood disorders which in turn lead people to kill themselves."

Dr Goran Jamal, a neurologist and a member of the British government's scientific and medical panel on OPs, said chemical compounds were licensed by government on the basis of information from an expert committee which examined only data provided by the manufacturers. "In my view, this is one of the major defects," he said. "There should be a safety valve so there's a confirmation of the data by independent scientists." He called for more powers for expert committees to revoke or suspend licences of products over which doubts arose.

The UK agriculture ministry said the Veterinary Products Committee, which advises the government, had concluded at the end of last year there was no unacceptable human health risk if OP dips were used in accordance with instructions. It said the question was constantly under review and "if there's new evidence we will look at that".

UK NEWS DIGEST

Bank to close 350 branches

National Westminster Bank plans to close 350 branches by 2000 as part of a far-reaching plan for "building a new retail bank". The plan will cut the number of branches from 2,100 to 1,750 and concentrate all back office processing of cheques and payments in 50 large centres. The restructuring continues the pattern of closures and job cuts that NatWest, like the rest of the UK banking industry, has been operating for the past five years.

Thousands of the 48,000 people now employed in NatWest's retail banking operations will lose their jobs, but the bank has deliberately avoided setting any target figure. So far this approach to the changes has won support from trade unions. "It is a complete departure from the annual job culls of the past," said an official at Bifu, the banking trade union. "We are seeing a growth in the use of self-service banking whilst at the same time experiencing a continual reduction in the number of customers visiting many of our branches," said Mr Tony Warren, managing director of retail banking services for NatWest.

George Graham, Banking Correspondent

PM praised by deputy

Mr Michael Heseltine, the deputy prime minister, last night called on the Conservative party to unite behind the prime minister, while also making his most robust attack on Eurosceptics in the governing Conservative party. In an attempt to end widespread speculation that he could take over the party leadership after the local elections on Thursday he described Mr John Major as "bold and brave". The elections are expected to be disastrous for the Conservatives.

The prime minister was "entitled to our united support which is the essential ingredient in our determination to win again", he said in a speech to the Tory Reform Group, the centrist element of the Conservative party. He combined enthusiasm for the European Union and a commitment to individualism with an absolute faith that economic success would secure victory at the polls. On the basis of "any historic analysis and comparison", the conditions were in place for "a Conservative election victory in about a year's time", he insisted. "In the event that the PM were to go, Hezza [Heseltine] is showing he has the leadership qualities which so many of our supporters so badly want", said a senior minister. "And frankly if the local elections go very badly, anything could happen".

Robert Peston, Political Editor

Court win for transsexuals

European Union rules which outlaw sex discrimination in employment apply equally to transsexuals, the European Court of Justice ruled. The Luxembourg court said that a school manager who was sacked by Cornwall County Council in England in 1992 after an initial sex change operation was protected by the EU's equal treatment directive. The court said the principle of equality in employment was one of the fundamentals of European law and the right not to be discriminated against on grounds of sex was a human right which the court had a duty to uphold.

The ruling, which could force the UK to change its sex discrimination laws, brought an immediate outcry from Tory Eurosceptic MPs at Westminster. The UK Department of Education and Employment described the ruling as "very disappointing" but said it was too soon to say whether UK law would have to change. The court's decision was praised by Press For Change, the transsexuals' lobby group.

Robert Rice, Legal Correspondent

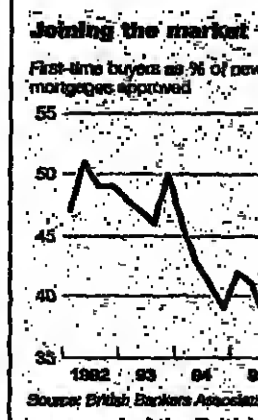
Saatchi companies soon to clash

The two Saatchi advertising companies are about to clash in the increasingly competitive battle for viewers of commercial television. M & C Saatchi, the breakaway company from the original Saatchi & Saatchi, is about to unveil a £5m ($7.5m) advertising campaign designed to highlight the virtues of the commercial network in the run-up to the launch of Channel 5, the new national channel.

Meanwhile the Saatchi & Saatchi advertising agency has just won the first big advertising contract for Channel 5, a £5m campaign to persuade nearly half the homes in the country to get their video recorders retuned. In many parts of the UK the Channel 5 signal will cause interference to video recorders and home computers. Later in the year Saatchi & Saatchi hopes to be competing even more directly with M & C Saatchi in the the television market. It plans to pitch for the equally lucrative contract to launch Channel 5 itself. M & C Saatchi is the breakaway agency formed by Mr Maurice Saatchi after he had been ousted from Saatchi & Saatchi.

Raymond Snoddy, Consumer Industries Staff

First-time house buyers return



First-time home buyers are returning to the housing market, according to figures on mortgage landing by retail banks. In the first three months of this year, 43 per cent of the home loans approved by the banks went to first-time buyers. This is the highest proportion during a three-month period for almost two years. The housing market is likely to receive a further boost today when two of the UK's largest mortgage lenders publish figures showing that the recent upsurge in housa prices continued in April. Mr Tim Sweeney, director-general of the British Bankers' Association which released the mortgage lending statistics, said the increase in activity by first-time buyers was "encouraging".

Alison Smith and Andrew Taylor

Dublin official gives voice to thoughts about which ministers prefer to keep silent

Balancing feat precedes N Ireland talks

By John Kampfner at Westminster

Candour is a dangerous weapon in Northern Ireland politics. When Mr Fergus Finlay, one of the Dublin government's most experienced officials, admitted last week that all-party talks without Sinn Féin would be all but useless, he was saying in public what the British and Irish prime ministers know to be true.

Yet his remarks were seen by the British as sensitive – by sending a message to the Irish Republican Army that both governments will bend over backwards to accommodate Sinn Féin whenever it chooses to rejoin the political process. Sinn Féin is the political wing of the IRA.

Teams of officials in Dublin and London are working full-time on an agenda for the negotiations, which will start on June 10. The issue that, as ever, threatens to shatter the plans is that of terrorist weapons.

The latest Irish plan was laid out on Monday by Mr Dick Spring, deputy prime minister of the Republic of Ireland, to a group of British and Irish parliamentarians. His aim is to separate decommissioning from the main subjects under discussion. This latest incremental shift has been mooted by both sides. Once again, it was Dublin which went public.

In doing so, Irish ministers weighed the risk of pushing pro-British politicians in Northern Ireland over the edge into refusing to take part in the talks, with the need to reassure Sinn Féin that the talks would not become bogged down on an issue that had so far proved insoluble.

Both governments are locked into a position that will prevent Sinn Féin from joining the talks until a ceasefire is restored. There is no reason, officials say, not to take Sinn Féin's leaders at their word when they say there is no immediate prospect of the violence ending. Mr John Bruton, the Irish prime minister, seeks to reassure all sides that the "logic of the situation" will ensure that such a ceasefire must come – if only, as some predict, within days or hours of the start of the talks.

Yet for all the undercover intelligence – which conspicuously failed to anticipate the resumption of the IRA's bombing – for all the furtive contacts with republicans, Mr Bruton and Mr John Major, the British prime minister, are basing their tactics over the next few weeks on little more than raw hope.

Both governments will draw some comfort from Sinn Féin's decision to take part in elections on May 30 for a Northern Ireland forum. While Sinn Féin has said it will not participate in the assembly – which all sides acknowledge will be little more than a talking-shop – the willingness of its leaders to stand for the 110 seats is taken as a positive step. A list published yesterday included Mr Gerry Adams, the Sinn Féin president, and Mr Martin McGuinness, its chief negotiator, as candidates.

Even if the talks began on June 10 without Sinn Féin, it is conceivable that the party could be let in later. If it joined on time, every effort would be made to keep it at the table. The first and only condition of the talks themselves may also be diluted. Mr Bruton now believes the parties should be asked to give a verbal commitment to the six principles of non-violence laid down by former US Senator George Mitchell. These are seen as a touchstone to demonstrate Sinn Féin's commitment to democratic means.

The UK government will today announce plans to restructure the police authorities in Northern Ireland in the most comprehensive reorganisation of the police structure for more than 25 years, James Harding writes. Sir John Wheeler, a Northern Ireland minister in the British government, will set out the responsibilities for the three authorities which control policing - the Royal Ulster Constabulary, the Northern Ireland Police Authority and the government's Northern Ireland Office.

In an attempt to increase the flexibility of the RUC, the chief constable will be given responsibility for resources. The RUC will be required to issue an annual report on its performance in respect of the authority's targets. The office has separately launched a review of the process of public complaints against the police.

Productivity of construction workers 'higher in Germany'

By Andrew Taylor, Construction Correspondent

British construction workers on housing sites are less well-trained, and are less productive than their counterparts in Germany and the Netherlands, a report says today. It says they also work longer hours and are paid less.

The study is published jointly by the Joseph Rowntree Foundation, the independant social policy research organisation, and Policy Press, part of Bristol Univarsity. Thay blamed the poor performance of workers on a lack of training due to the British preference for subcontracting work to self-employed labourers and craftsmen.

The German and Dutch companies studied preferred to use their own trained labour forces for developments. The speed of constructing a homa in the Netherlands was four times greater than that in Britain and three times greater than in Germany.

The report by the University of Westminster investigated 12 large "social housing" developments in the three countries. It concluded that prodnctivity of British workers, measured as the value of construction output per employee, was about 60 per cent of thet of German and Dutch labour.

Yet British hourly labour costs were almost half those in Germany and the Netherlands. Britain had the lowest social charges, the lowest gross wages in relation to purchasing power and the highest number of hours worked per week, said the report.

It found that the ratio of trainee bricklayers and carpenters among German construction workers was twice as high as in Britain. It was also substantially higher in the Netherlands.

Self-employment represented 60 per cent of the UK construction work force compared with 11 per cent in Germany and 12 per cent in the Netherlands although the use of subcontracted labour was growing. British workers also required twice as much supervision on site than their counterparts in Germany and the Netherlands where there was much more use of mechanisation and industrialised building techniques.

The House Builders Federation in Britain defended the industry's performance. It said: "We do not believe they [the report's compilers] hava compared like with like, and we believe that the requirements of the British house buyer for a largely traditionally constructed brick house means that comparisons with continental European industrialised building techniques are not relevant."

BUSINESS AND THE ENVIRONMENT

Dutch industry has been drawing up covenants with the government, writes **Ronald van de Krol**

Partners in grime

The most lasting Dutch contribution to the world environment may not be wind energy or even manure recycling but the concept of voluntary environmental "covenants" between business and government.

The idea that the two can work in partnership for the good of the environment, rather than confront each other in a courtroom, has attracted interest from countries including Argentina, Italy, Germany and the US.

Although the Dutch model is appealing, it may not always be possible to export it directly or easily to other countries.

This is because the covenant approach was born out of the Netherlands' broad tradition – in business as well as in politics – of consensus and consultation, and is based partly on the tendency of Dutch companies to belong to one or several sector-wide organisations, making it possible to conclude bilateral agreements between the national government and a single business representative.

The acceptance of covenants is so widespread in the Netherlands that much of the domestic debate about environmental measures has now moved on to what role should be played by environmental taxes and fiscal incentives.

Since the trend towards voluntary agreements took hold in the Netherlands in the late 1980s, more than 75 covenants related to the environment have been signed. These have committed a variety of sectors, particularly the country's chemicals industry, to goals such as a cut in emissions of carbon dioxide or the achievement of energy conservation.

Two covenants signed earlier this year are typical of what Dutch voluntary agreements set out to do.

In March, the Netherlands' cold-storage warehouses pledged to improve their energy efficiency by 28 per cent in 2000 compared with 1989. To do this, the several dozen companies covered by the agreement will draw up an internal energy plan, with advice on energy-efficient technology to be provided by Dutch suppliers of equipment.

Similarly, 150 companies in the "surface treatment" sector signed up to an energy-efficiency covenant agreed between their branch organisation and the ministry of economic affairs. The aim is a 20 per cent improvement in energy efficiency in 2000 compared with 1989.

"To a large extent, the improvement will be achieved through measures to be taken in the areas of processes, such as thermal galvanising, anodising, enamelling and radiation, and facility managemant, such as ventilation, compressed air, heat recovery and space heating," the ministry says.

The most significant covenant was signed in 1993, when the chemicals industry and the government reached a multi-year voluntary agreement after two years of talks. Among the goals laid down was a 70 per cent cut in acid gases such as sulphur dioxide and nitrogen oxide in 2000, compared with the base year of 1985. Other measures covered the emission of volatile organic substances into the atmosphere and the discharge of heavy metals into surface water.

Chemicals companies estimate that compliance will cost the industry some Fl 8bn ($4.8bn) to Fl 10bn, covering both new equipment and investments and the internal costs of setting up compliance programmes.

An evaluation of the chemicals covenant in January, at a conference sponsored by the industry and government, showed that 107 of the 125 companies committed to the agreement had already implemented an internal environmental management system needed to check progress. Pollution data also suggested that most of the covenant's goals for 2000 would be met. "Only chromium emissions are subject to a degree of uncertainty," the Dutch Chemical Industry Association says.

The environmental movement, which has generally been critical of covenants for their "non-democratic" character in comparison with more conventional instruments, such as legislation, has doubts about the chemicals initiative.

Lucas Reijnders, of the Nature and Environment Foundation, says the covenant was not ambitious enough and focused too much on factory processes and insufficiently on the consumption of chemicals and chemicals products. A better approach would be the achievement of a self-sustaining chemicals industry: "The environmental benefits of the environmental covenant are negated by the growth in production and consumption."

Despite the limitations inherent in covenants, they have served a purpose in the Netherlands. George Molenkamp, a partner at KPMG, the accountancy firm, and a professor of environmental management in Amsterdam, says: "From the government's point of view, the covenant creates a wider base of support from within industry. If the government tried to reach the same goals through legislation, it would be time-consuming and not necessarily very effective. Through voluntary agreement it is possible to do difficult things that could not easily be laid down in law."

He describes the covenant approach as a golden mean between government intervention and a laisser-faire attitude. If environmental responsibility were left totally to business, there would be little incentive to agree and meet targets.

Molenkamp notes there was widespread international interest in the Dutch approach but adds that countries need to meet several prerequisites before considering the adoption of covenants. One is the degree to which companies belong to branch-, sector- or industry-wide associations capable of negotiating with the government.

"The Netherlands has a heavily organised business structure. It is not unusual for a company to belong to one or two sector organisations," he says.

A country must enjoy sufficient political stability to win the confidence of business. There is no point in concluding a multi-year, long-term covenant if a new administration ignores previous agreements.

Covenants also assume that a country has a comprehensive and sophisticated framework of environmental legislation in place. They are a complement, not a substitute, for environmental laws. Drawing a wider analogy, Molenkamp says: "If you're illiterate, you shouldn't be expected to read poetry."

The chemicals sector's covenant will ultimately help preserve the idyllic countryside

Guardians of Guyana's forests

Concerns over controls on logging in the South American country are growing, says **Canute James**

When a dam ruptured last August at Guyana's largest gold mine, Omai, it spilled 3m cu m of cyanide-tainted water into the Essequibo, the country's biggest river. Many fish were killed and life in many riverside communities was disrupted.

Tha accident reawakened concerns in the country over the impact on the environment of commercial ventures – especially the economically important logging industry.

"The recent experience of the Omai spillage has brought home very vividly to the government the need to be alert and to pursue sustainable development of the environment in a serious and committed way," says Navin Chanderpal, the government's adviser on the environment.

The government and environmentalists agree that a rapid expansion of commercial logging, which Guyana sees as a potentially significant source of earnings for the weak economy, should not get out of control.

But foreign and local companies are keen to join several others that have been granted concessions to exploit Guyana's extensive forest reserves. About 75 per cent of the country's 83,000 sq miles is forest, and its 800,000 people live mainly on the Atlantic seaboard and in riverside communities.

Forestry product output is expected to rise this year by 5 per cent to 575,000 cu m, says Bharrat Jagdeo, the finance minister. Longer-term plans are for this to double over four years, making forestry a significant contributor to an economy based on sugar, rice and gold.

"Most of the forest is intact and vast areas are pristine, but we are concerned about how sustainable the commercial activity is because we do not know what we have in the forests," says Malcolm Rodrigues, director of the environmental unit of the University of Guyana. "We need more information."

There is also concern about the level of legislation controlling the type and extent of logging, says Rodrigues. While the government is strengthening legal controls, there is still a need for a clear legislative programme, he says.

While not dismissing the threat to the environment, government officials say the commercial exploitation of the forests is sustainable and is being well managed. "There is a potential for degradation but we are ensuring that this does not happen," says Clayton Hall, the commissioner of forests.

"There have been positive changes to the situation of a few years ago when individuals and companies could come to the commission and could have left with documents allowing them felling rights in the forest, sometimes with the minimum of conditions."

'It is in our interest, not in anyone else's, that we have sustainable development'

New laws are being drafted to improve the monitoring of logging, while the forestry commission is increasing training and deploying more forestry guards. Guyana's membership of the International Tropical Timber Organisation commits it to the target of having all timber coming from sustainable areas by 2000.

"Our forests have been utilised commercially for 150 years, and everyone accepts that our forests are still in a pristine state, so we must be doing things right," says Hall. "Our forests have over 1,000 species, of which 140 are being harvested. Only 15 of these find their way on to the export market, with greenheart [a tropical tree with greenish hard wood] accounting for more than a half of our exports."

The government has started to increase environmental protection legislation to improve monitoring of activities that can damage the environment.

Finding the resources for monitoring the extensive forests is a major problem for Guyana. Degree courses are now available from the University of Guyana, which already offers a diploma course in forestry management. "This will increase the level of professionalism in monitoring, but we will need many more than we are producing for effective monitoring," says Rodrigues. But Guyana needs money to substantially improve its ability to monitor and control logging. "Wa cannot allow the forest to be raped, and it is in our interest, not in anyone else's, that we have sustainable development," says Joseph O'Lall, head of the Guyana Natural Resources Agency. "The agency is not satisfied that there is enough monitoring, but if we do not get some money, how can we monitor?"

About a quarter of Guyana's energy needs are met by firewood, says O'Lall, and the agency is establishing an energy farm to reduce uncontrolled felling for firewood. Fast-growing species will be planted, so they can be cut to satisfy demand for firewood. The agency has been asked by Haiti to establish similar farms there, as its forests have disappeared to meet demand for firewood.

Hall considers it "unfortunate" that there is an automatic association of forestry with environmental degradation. "In Guyana we do not indulge in clear felling [indiscriminate logging]," he explains. "Wa carefully select the hardwood species."

In addition, existing legislation says that hardwoods must have a circumference of at least 42ins, and softwoods a minimum girth of 24ins, before they can be cut.

"Everyone concerned about sustainable exploitation of the forests in Guyana should seek the advice of the Amerindians," says Rodrigues, referring to the indigenous inhabitants of the forest. "For centuries they have been careful in cutting trees, selecting species and allowing regeneration. They also use firewood for energy but they use only trees which have fallen naturally, or wood which they recover from the rivers."

ARTS

What with the FT television column carrying reports on Japanese, Russian and Italian television while I was having a break, and then my own space-filling enthusiasm for just two outstanding productions – *Karaoke* and *A History Of British Art* – there is considerable catching up to do. Of course some aspects of the 1996 spring season in British television are so appalling that it is tempting to pretend they do not exist. Worst of all is the BBC's shameful decision to join the millennial rush to embrace superstition. True, the tabloid press is currently delivering a deluge of this claptrap; and, true, fictional television series about the supernatural, such as *The X Files*, have recently proved hugely popular.

But to find the BBC adopting a neutral position between the rational and the irrational in supposedly factual programmes is truly depressing. It is bad enough that BBC2 should be offering a whole series called *Secrets Of The Paranormal*, though it does at least have the excuse that these programmes are part of the old "public access" effort organised by the "Community Programmes Unit". Moreover, when someone such as Uri Geller offers to use his magic power to help his football team win a cup tie against Manchester United, every viewer can finally see his ineffectuality. But the trouble with allowing equal rights for nonsense, even in a slot for eccentrics, is that it will start creeping in elsewhere. Sure enough, BBC1's *Newsroom South East* on Sunday claimed in all seriousness "There are phantoms haunting the Royal Albert Hall". Do the people now running the corporation have no regard for the BBC's historic global reputation in dealing with matters of fact? Presumably not.

Another phenomenon which came and went was the first run of *The Shane Richie Experience*, a weekend game show on ITV of surpassing silliness in which couples compete to get married on nationwide television and then go on honeymoon with a camera crew. The opening series ended on Saturday with Lynda and Neil plighting their troth – after Shane had donned scarlet tails to sing "Crash Bang Wallop What A Picture" – though we were not told whether the couple would be taking their 16-month-old son with them. Can it be long before a rival network offers the far more lucrative prize of all-expenses-paid divorce on screen?

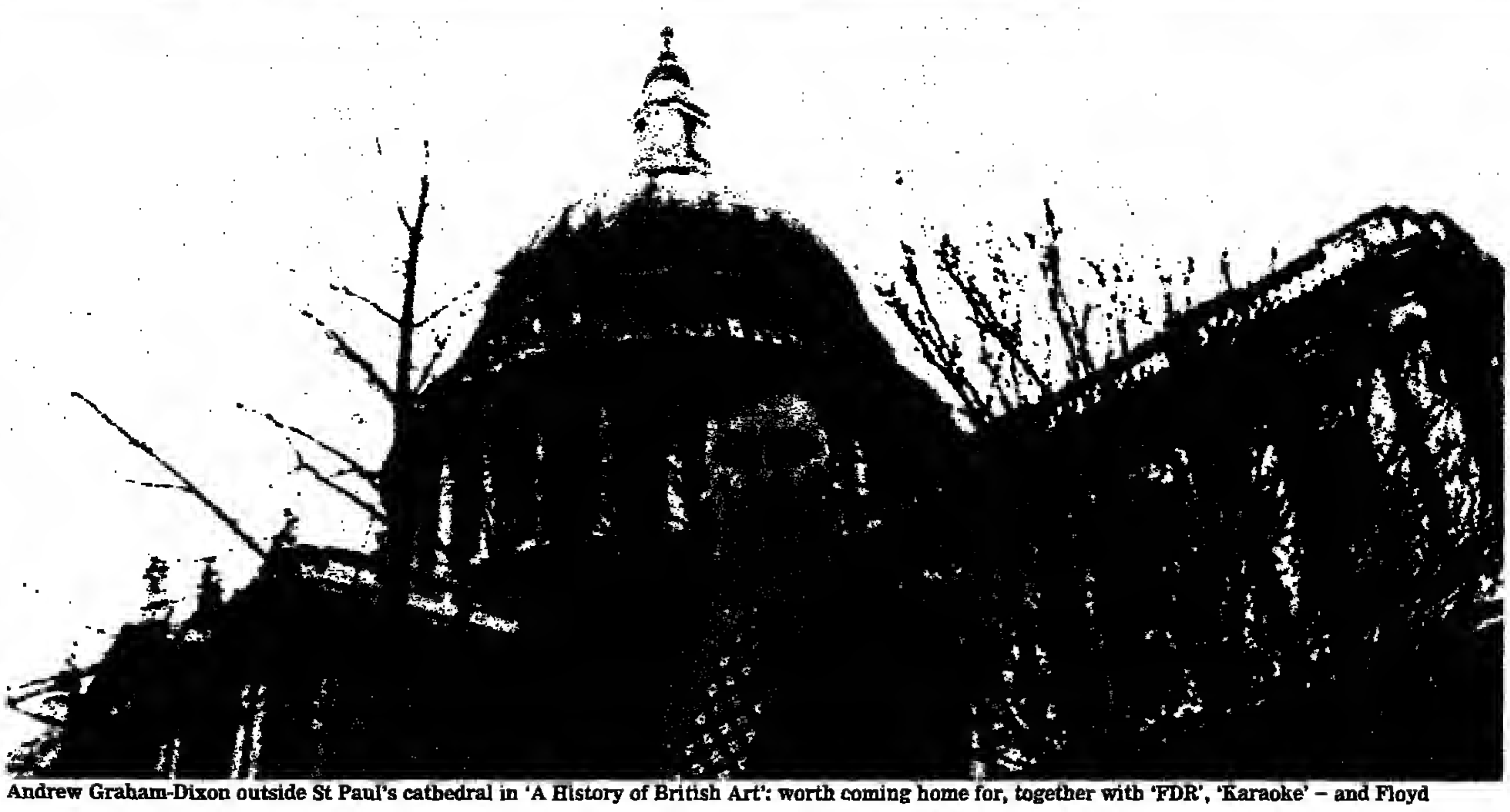
Saturday is also the day of *The Gaby Roslin Show*, yet another attempt to revive the chat show. When Channel 4 began its breakfast programme it was suggested here that most FT readers would probably prefer other offerings since *The Big Breakfast* appeared to be aimed mainly at retarded children. However, presenter Gaby Roslin was identified as someone with such natural television presence that she could probably do any sort of programme she wanted on any channel. Sure enough she has looked pretty good doing travel and wildlife programmes, but so far *The Gaby Roslin Show* has not really worked. This is partly because, after all the spoofers (*Mrs Merton, Alan Partridge*, Ruby Wax, Dame Edna) the producers have not had the courage to revert to a proper chat show with a decent amount of time for each guest; and partly because Roslin will put the words into her guests' mouths rather than draw them out.

Another screen natural appears to be Edward Windsor who, in *Edward On Edward*, proved to be a better presenter than his eldest brother, and as good, possibly better than, his sister. There is nothing very remarkable about this: anyone with experience of speaking in public will usually make an adequate television presenter. Thanks to recent history we tend to be too easily impressed these days with even the most ordinary abilities in members of the royal family. Unfortunately, however relaxed he may have looked, the content of these programmes – or of the first one, anyway, which took us through the abdication crisis and the second world war – is mostly very familiar, having been reiterated on television quite recently. What is more, Edward's access to the royal family's documents may be positively unhelpful: the Queen Mother's ostensibly sympathetic letter to her recently abdicated brother-in-law seemed sharply at odds with her known attitude and would probably be seen by anyone other than a close relative as a bit of bread-and-butter writing.

So is there nothing worth coming home for, apart from *Karaoke* and *A History Of British Art*? There is *Floyd On Africa*, a series which is attracting, from some, the same sort of routine drubbing as the Dennis Potter drama, and probably for the same reason. Potter and Floyd have both been highly praised in the past and commentators gain attention by attacking, not supporting, orthodoxy ... even if some of us had to work quite hard against entrenched opinion to create those supposed orthodoxies in the first place. If we had never seen Floyd before and now watched the first of his new series – with mussels prepared on gimbals in a boat beating into Cape Town, pork cooked in a wok in the township, and then fish and greens lashed up against the back-drop of the Victoria Falls – we would surely comment upon this remarkably charismatic fellow with his cheekily de-mystifying instructions to the cameraman and his willingness to offer us food and travelogue in equal parts. He is as good as ever.

And there is *FDR*, a thoroughly workmanlike four-part documentary series on the American president which in Episode 1 brought out the aristocratic nature of his background. It is amusing to ponder on the profound belief among so many Americans that theirs is a classless society as you hear about FDR's education (indistinguishable from English public school) listen to Eleanor's almost pure English accent, and recall that uncle Theodore had been president before him. Still, there is no denying the guts it must have taken, after losing the use of his legs owing to polio, to learn how to give the impression of being able to walk again. We were shown the only bit of archive film documenting this walk: it lasts just four seconds.

This season there is more television than at any time in history. *Satellite and cable* are now providing scores of channels, though still managing to capture only 10 per cent of viewing against the 90 per cent held by the four terrestrial networks. To have *The History Of British Art, Karaoke, FDR* and *Floyd On Africa* in the same season seems a pretty respectable achievement – especially for the BBC which is screening all of them.



Andrew Graham-Dixon outside St Paul's cathedral in 'A History of British Art': worth coming home for, together with 'FDR', 'Karaoke' – and Floyd

Television/Christopher Dunkley

Rational versus the irrational

Magic

Penn and Teller

The 1980s boom in alternative forms of circus brought in its wake a *burgeoning of* new-style magic and "geek" acts, of which Penn and Teller are both the most mainstream and the most intelligent. Their London run, extended from one week to two, partially retreads tricks already seen on their television appearances, but their style is such that even in a theatre as large as Sadler's Wells and even when performing close-up work before a single witness, the stage experience is more impressive.

Basically, their *shtick* is simple: Penn Jillette, the big, loud one, mouths off at great length while the diminutive Teller (even his official documents carry no first name) mutely gets on with most of the impressive stuff.

As with most magic acts, the secret is in the *spiel*, and Penn is a master. With a little apparatus (a giant dartboard, a demijohn bottle suspended in full view of the audience) and a lot of wordpower, he can spin the straightforward trick of predicting a verse chosen at random from the Bible out to *25 minutes, and never let it* drag: he even slips to throw-away gags about old-time comedy acts and David Byrne. This patter is a world away from the blunderbuss psychosis of Jim Rose or the full-throated obscenity of The Amazing Johnathan.

Furthermore, and much more impressively, Penn and Teller (even when using sign language) consistently pull off the difficult trick of getting comic mileage out of audience assistants without humiliating them. This is most evident when dealing with children, to whom *Penn seems to come* across as a bearish uncle figure who is appealing precisely because he does not patronise them. Their insults are friendly rather than raucous: the biggest boo of the evening comes not when Teller appears to have thrown a cuddly bunny into an industrial wood chipping machine, but when Penn derides the prowess of Brits at darts.

Their unique selling point, however, is that they explain the business of trickery to us honestly, rather than as a smokescreen in order to seem to trump themselves by going one step beyond their explanations. A simple cigarette routine from Teller is used to detail the seven principles of *sleight-of-hand* – *palming*, stealing, distracting, etc – and the final, deliberately unspectacular item is both a homage to old-fashioned carnival fire-eaters and a lesson in how the act really works: no trickery, no special coatings, just reliance on air supply and saliva in the mouth.

Penn and Teller have pitched their tent at the junction of show-biz magic, supposedly post-modern cleverness and good old carny values, and have made the territory their own. They are the perfect hip magic act for a contemporary audience. Oh, and Teller even speaks as many as *six words in two hours*.

I.S.

At Sadler's Wells, London EC1, until May 4 (0171-271-8916).

Contemporary playwrights Howard Barker and David Mamet have produced their own versions of Chekhov. Our critics report

'Vanya' without the subtlety

Howard Barker berates Chekhov's *Uncle Vanya* for inviting "us to collude in our own despair". So he has written an opportunistic reposte, *(Uncle) Vanya*, in *which* he upsets *the* tragicomic balance: Vanya shoots the Professor dead. In Chekhov, he missed.

Recently we have had productions of *Uncle Vanya* in the West End (Gambon/Pryce), at the National Theatre (McKellen/Sher) and on tour with Field Day (Stephen Rea). Then *there are Michael Blakemore's* and Anthony Hopkins' film versions, and Louis Malle's *Vanya on 42nd Street*. Peter Stein, the definitive modern Chekhov director, is bringing his new production to this year's Edinburgh Festival. Who needs yet another *Uncle Vanya*, parenthetical or not?

Howard Barker *does. He has* responded before to "what if?" scenarios: *Women Beware Women; Seven Lears; Minna* (after Lessing). Taking his cue from a letter Chekhov wrote to *a friend, regretting* the melodramatic *faux pas* of the gun, Barker empowers his Vanya: "I remade Vanya because I loved his anger, which Chekhov allows to dissipate in toxic resentment". Hence Barker transforms "the Chekhovian madhouse" – here represented by a rusting steel hull hung *with prison-like gantries* – into a Barker fun-house of brainstorming frenzy.

However, Barker is too explicit. Sonya states publicly: "I love the Doctor". The Professor declaims: "I am a monstrous egotist". Vanya demands of Helena: "Give me your underwear". These are *facetious fore-stagings of sub*text and make the characters' intentions sterile. Barker's play has intellectual vision, but no dramatic dynamo – until after the interval, when Chekhov *himself arrives* to quell his characters' mutiny.

To those who admire Barker's work, *(Uncle) Vanya* will be disappointing. Tellingly, the Professor is shot off-stage. And although Barker subsequently shows us Sonya throttling the doctor Astrov with her strong arms, and Vanya *shooting Helena, that first and* most vital act is theatrically impotent – quite the opposite of Chekhov's dramatically fecund near miss.

When Vanya seizes control, Barker turns Chekhov's play, lamenting what might have been, into a test of the characters' resolution for what must *be:* "I am *the creation* of my own will; possibly entirely formless," thinks Vanya; "At least now I am the possibility of something," says Helena. But they are not masters of their own destiny. Barker's conceit is disingenuous. In a play which has its characters undermining their author's authority, you notice that although they have met their maker, they never shake hands with their resurrector. Barker vilifies Chekhov, but leaves himself unchallenged.

Barker directs this world premiere – slowly, only giving his actors space to bristle rather than room to breath. The entire performance is relayed through an invidious echo-box effect, as if they are *speaking in a cathedral nave*. In a way, of course, knavish Barker is desecrating the Chekhovian mausoleum. Yet: "Where am I going?" Vanya panics as he walks off at the end of the play – "He'll be back," his mother and Sonya tell each other. He surely will. Back to (Uncle) Chekhov and out of the Barker void.

Simon Reade

On British and European tour (tel: 0181 442 4229 for details.]

'Three Sisters' miss the plane

The moral of the story is: if you are selling your production of Chekhov's play on the *lines that he (rightly) viewed it* as a comedy, do not then stage it as a three and a quarter hour plod. The rhythms of David Mamet's style – incomplete, repeated phrases, stop-start speeches – can be heard in this European premiere of his version, but it takes some concentration to unearth them; director *Andrew Manley* wholly underestimates the effort necessary to redeem the play's humour from the pitfalls of the long, slow exhalation as which it is too often produced.

He also digs the occasional pit for himself. *It* is an appealingly cheeky idea to surround the playing area with a set resembling *an* airport departure lounge (complete with a tannoy announcement of each act) from which the players, like the sisters in their longing for Moscow, never do depart. But an audience increasingly eager for distraction may begin to wonder why two of the time-zone clocks above the stage *have stopped. They may* also start to time each slow revolution of the huge revolve on which the action is played (completing a full cycle every 20 minutes) and to pinpoint the stages in its progress at which it begins to creak maddeningly. Manley and designer Michael Spencer have taken *far too literally Irina's line* about "The revolving horror of a life without work in it!".

Eldest sister Olga is the most difficult of three to stamp with a distinct character, and Amanda Prior does not solve this problem. Lisa Shingler's Irina matures nicely from a shallow, youthful siren to a *despairing but stoical woman. Jane Montgomery's Masha* is almost in a different play – the right one, I believe: her self-deprecating dramatisation is the neurotic over-acting of a real person, not a stage performer. It is a pity that she has little to spark off in the person of her beloved Colonel Vershinin – *Andrew Normington* imbues him with a superficial, genteel sentimentality only.

Most of the other actors either play their characters as types or try but fail to get to grips with their individuality. Only Daniel Copeland strikes the right note as Baron von Tusenbach: sincere, at times even impassioned, but crippled by diffidence. However, his and Montgomery's performances are not alone sufficient to reveal properly Mamet's perspective on Chekhov. As regards finding the right blend of comedy and poignancy, *Max* Stafford-Clark's Out of Joint production remains the leader *in a field of one.*

Ian Shuttleworth

At Harrogate Theatre until May 11 (01423-502116).

INTERNATIONAL ARTS GUIDE

■ ATLANTA

OPERA
The Fox Theatre
Tel: 1-404-881-2000/892 5685
● Il Trovatore: by Verdi. Conducted by William Fred Scott and performed by the Atlanta Opera. Soloists include Eduardo Villa, Martile Rowland, *Marianne Cornetti and* Donnie Ray; 8pm; May 2, 4

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Fabio Luisi perform works by Mendelssohn and Tchaikovsky; 8pm; May 4, 5, 6 (7pm)
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Il Trovatore: by Verdi. Conducted by *Jiri Kout and performed* by the Deutsche Oper Berlin; May 3

■ BONN

OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● Carmen: by Bizet. Conducted by *Eugene Kohn and performed* by the Oper Bonn. Soloists include Hoffmann, Bartz, Zaric, G. Naviglio and Karlsen; 7pm; May 4

■ BRUSSELS

OPERA
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● *Pelleas* at Melisande: by Debussy. Conducted by Antonio Pappano and performed by La Monnaie. Soloists include Laurence Dale, Maria Bayo, Monte Pederson and Nathalie Stutzmann; 8pm; May 4, 7

■ CHICAGO

EXHIBITION
Art Institute of Chicago
Tel: 1-312-4433600
● Annette Messager: exhibition of approximately 55 works by this contemporary artist, from the early 1970s through the mid-1990s. The display includes painted photographs, artist's books, numerous small images combined with writing on the wall, and Messager's ensembles of stuffed animals and sparrows; to May 5

■ COPENHAGEN

JAZZ & BLUES
Copenhagen JazzHouse
Tel: 45-33 15 26 00
● *Emborg - Larsen Group: perform* jazz music; 9.30pm; May 3
OPERA
Det Kongelige Teater
Tel: 45-33 14 10 02
● La Forza del Destino: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Danish Opera. Soloists include Gitta-Maria Sjöberg, Per Hoeyar and Stephen O'Mara; 8pm; May 4, 6, 8

■ DUSSELDORF

CONCERT
Tonhalle Düsseldorf
Tel: 49-211-8992081
● Düsseldorfer Ensemble: with conductor Wolfgang Trommer, organist Stefania Westerteicher and viola-player Ralf Buchkremer perform works by Hindemith, David and Zuckmantel; 8pm; May 3

■ FRANKFURT

CONCERT
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● Von Bach zu Brubeck: the Dave Brubeck Quartet, with Dave Brubeck, Bill Smith, Jack Six and Randy Jones, join forces with the Kammerorchester Schloss Werneck in a programme featuring works by *Brubeck and J.S. Bach; 8pm; May 5*

■ HAMBURG

DANCE
Hamburgische Staatsoper
Tel: 49-40-351721
● Die Kameliendame: a choreography by John Neumeier to *music by Chopin, performed* by the Hamburg Ballett; 7.30pm; May 3, 4

■ LEIPZIG

DANCE
Oper Leipzig Tel: 49-341-1261261
● Bach-Kreationen: a choreography by Uwe Scholz to music by J.S. Bach, performed by the Leipziger Ballett, the Thomanerchor Leipzig and the Gewandhausorchester; 7pm; May 4
OPERA
Oper Leipzig Tel: 49-341-1261281
● Il Trovatore: by Verdi. Conducted by Günter Neuhold and performed by the Oper Leipzig and the *Gewandhausorchester*. Soloists include Scharkowskaya, Hoffstedt, Grisales, Tsumaya, Noack and Gaviola; 7.30pm; May 2

■ LONDON

OPERA
London Coliseum
Tel: 44-171-8360111
● Tosca: by Puccini. Conducted by Sian Edwards and performed by the English National Opera. Soloists include Janice Cairns, Robert Brubaker and Phillip Joll; 7.30pm; May 2
THEATRE
Cottesloe Theatre
Tel: 44-171-9282252
● The Ends of The Earth: by David Lan. Directed by Andrei Serban and performed by the Royal National Theatre. *The cast includes Michael* Sheen and Samantha Bond; 7.30pm; May 1, 2

■ MELBOURNE

OPERA
Victorian Arts Centre
Tel: 61-3-6848198
● *Alcina*: by Handel. Conducted by Jane Glover and performed by The Australian Opera Chorus & Dancers and the State Orchestra of Victoria. Soloists include Rosamund Illing, Emma Lysons, Kathryn McCusker and Jolanta Nagajek; 7.30pm; May 2, 4, 8

■ MILAN

DANCE & OPERA
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Petrushka & Gianni Schicchi: a *programme of opera and dance*. The Corpo di Ballo del Teatro alla Scala perform Petrushka, a choreography by Eugène Poliakov after Michel Fokina to music by Stravinsky. The Teatro della Zarzuela with conductor Gianluigi Gelmetti perform Puccini's Gianni Schicchi; 8pm; May 3, 5 (3pm)

■ NEW YORK

CONCERT
Cathedral of Saint John the Divine
Tel: 1-212-247-7800
● Vespers, Op.37: by Rachmaninov. Performed by the Robert Shaw Chamber Singers, conducted by Robert Shaw; 7pm; May 2

■ NICE

OPERA
Opéra de Nice Tel: 33-92 17 40 00
● Alceste: by Gluck. Conducted by *Dominic Wheeler and performed by* the Opéra de Nice. Soloists include Isabelle Vernet, Matthew Best and William Dazeley; 8pm; May 2

■ PARIS

CONCERT
Maison de Radio France
Tel: 33-1 42 30 22 22
● Orchestre Philharmonique de Radio France: with conductor Mark Foster and violinist Pierre Amoyal perform works by Milhaud, Chaynes, Fauré and Ibert; 8pm; May 4
Salle Gaveau Tel: 33-1 49 53 05 07
● Arthur Brasil: the pianist performs works by R. Schumann, Chopin, Brahms and Liszt; 8.30pm; May 3

■ STUTTGART

OPERA
Staatstheater Stuttgart
el: 49-711-20320
● Cosi fan tutte: by Mozart. Conducted by Alan Hacker and performed by the Oper Stuttgart. Soloists include Schnitzer, Canis and Ebbecke; 7pm; May 2, 5

■ VALENCIA

CONCERT
Palau de la Música i Congressos
Tel: 34-6-3375020
● Orquesta de Valencia: with conductor Vladimir Fedoseyev and pianist Brigitte Engerer perform works by Wagner, Rienzi, Schubert, Liszt and Shostakovich; 8.15pm; May 3

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Haydn Trio: with violinist Christian Altenburger and double bass-player Johannes Auersperg perform works by Haydn, Dvorák and Schubert; 7.30pm; May 2

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. *Tel: 31 20 664 6441*

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

09.00
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Ian Davidson

No entry for Croatia

The Council of Europe should not be treated by aspirant countries as an undemanding ante-chamber to the EU

The Council of Europe last week voted to admit Croatia as its 40th member state. This was a deplorable political error. But the member governments can still stop Croatia's admission when their ministers meet on Friday.

The Council of Europe may appear to many as a rather fuddy-duddy institution of uncertain purpose, left behind in a backwater in Strasbourg and overshadowed by its much more active Brussels-based cousin, the European Union. The Council of Europe almost never hits the headlines, and it may not seem to matter very much whether it has 39 members or 40.

Yet the Council is not just the oldest of the European institutions – it was set up in 1949 – but can also claim to be the foundation of all subsequent developments in European integration. Its essential functions are to embody the values of political democracy in Europe, and to provide the ultimate court of law in the protection of human rights.

Unfortunately, these functions are now being jeopardised in two different ways: first, by the rushed admission of formerly communist countries from eastern Europe and the ex-Soviet Union; and second, by the recent initiative of the UK government, at the urging of its Eurosceptic wing, to weaken the Council of Europe's Court of Human Rights.

After the collapse of the Soviet Union, all countries of eastern Europe and many of the component parts of the Soviet Union wanted to join the west. For geostrategic reasons western European governments also wanted to welcome them. But membership of the European Community was, in economic terms, too difficult; and membership of Nato was not at first available; so the loose political organisation of the Council of Europe came to seem the easy option, and the undemanding ante-chamber to membership of the other, more highly developed western European institutions.

The problem is that this ante-chamber has become so undemanding that membership of the Council now includes quite a few countries from the former communist empire whose practice of democracy and human rights is questionable.

In Slovakia, the authoritarian regime is so notorious that the European Union last month took the unprecedented step of rebuking Mr Vladimir Meciar, the prime minister, for putting forward repressiva changes to the criminal code. These changes, it said, were incompatible with democratic principles and could harm Slovakia's attempt at EU membership.

In Romania, the democratic credentials of the regime are et least as questionable as those in Slovakia; and a central feature of both countries is systematic discrimination against their substantial Hungarian minorities.

Some people argue that, even though neither of these countries really qualifies yet for the Council of Europe, perhaps membership can exert a beneficent influence on the development of their democracies and their human rights, and thus make it easier for them eventually to join the European Union.

This argument breaks down entirely in the case of Russia. Russia will never be an EU member, and it is in any case far too large to be "influenced" by a gentlemanly club such as the Council of Europe. Nevertheless, and despite the brutal war in Chechnya, Russia was admitted to the Council in February of this year. European parliamantarians and member governments deluded themselves that this would help ensure the re-election of Boris Yeltsin as president and the defeat of Gennady Zyuganov, the Communist candidate.

Yet there is no reason to believe that the west can do anything which will decisively influence the outcome of the forthcoming presidential elections. Western Europe only invites contempt by trying to curry political favour with the ramshackle Yeltsin regime when most members of the Russian human rights commission have resigned in protest et the Kremlin's "retreat from democracy".

Before joining the Council of Europe, the Russians promised at least a moratorium on capital punishment; instead, the rate of executions has gone up, with 30 executions in the month after they joined.

Now, in a further bout of craven feeble-mindedness, the Council of Europe assembly has voted to admit Croatia in the hope that it will live up to the Council's obligations in terms of democracy and civil liberties. This is at the very least premature. For the past four years of the war in the former Yugoslavia, the Croats have rivalled the Serbs in the brutality of their "ethnic cleansing", reaching a peak last August in the conquest of Krajina, which made refugees of 150,000 Serbs.

The Croat authorities regularly deny any responsibility for acts of barbarism by their citizens; but when, last November, General Tihomir Blaskic was indicted for war crimes by the International Criminal Tribunal in the Hague, the government of President Franjo Tudjman promoted him the next day to inspector-general of the Croatian army.

Meanwhile, Tudjman's central government is notorious for its repressiveness, both of local government and of the press. Even if the Council of Europe assembly hoped that its influence would in time civilise some of these aspects of the Tudjman regime, it could at least have waited long enough to find out whether Zagreb intends to live up to the spirit or the letter of the Dayton peace agreement.

In these circumstances, it is extraordinary that the UK government should be advancing proposals which would weaken the Council's Court of Human Rights. It is of course a reaction of irritation to the fact that Britain's own illiberal policies in the realm of penal affairs have repeatedly been struck down by the Strasbourg court.

But the British government's argument – that the court should accept that the institutions of individual states are best placed to determine moral and social issues in accordance with local values – is not merely a denial of the very principles of European human rights; it is also exactly what Messrs Tudjman, Meciar and Yeltsin would say.

Soldiers in Grozny: Russia was admitted despite the Chechen war

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Anger over UK inaction on BSE

From Mr Jeff Martin.

Sir, I am writing to you as sales director, Italy, for Scotch Premier Meats, part of the ANM Group, the largest meat and livestock organisation in Scotland. On March 23 1996, this company delivered £236,000-worth of Scotch beef to Italy in four trucks. Since that day the total market for beef in Italy has dropped by 50 per cent and still shows no sign of recovering.

There is a great deal of anger within the meat and livestock trades, yet there seems to be nobody prepared to stand up and put across our point of view. All of our customers are looking to official British sources for information which could reassure them that the horror stories are not true, but nothing is forthcoming.

Seven years ago, I was manager of the British Meat office in Milan when the first BSE war broke out. That time we were lucky and when the ban was lifted things got back to normal very quickly.

On January 11, a meeting took place in Bonn, at the request of the British. Representatives from the Meat and Livestock Commission and Mr Ben Gill of the National Farmers Union were present. The Germans expressed their concern at the BSE problem and pleaded with the British to adopt a selective culling policy similar to that adopted by the Irish – or any policy at all. The British answer was to ask them to help fund the UK public relations drive in Germany so as to protect the German market. Their position is little different today.

The Italian government's position is that there has been a cover-up and Britain has constantly refused to protect both its own interest and the interests of its European partners. The Italians are now under enormous pressure to keep the market closed for a long time to allow its own producers to recover some of the lost ground. Meanwhile, our customers cannot understand the British position and, as a result, blame us for all their present problems.

Jeff Martin,
Scottish Premier Meats,
Via Streccia,
Venegono Superiore,
Varese, Italy

Better co-ordination would lift value of EU research grants

From Mr Jean Heymans.

Sir, I have noted with interest your recent coverage of grants in EU research and the impact of European R&D spending programmes to the competitiveness of European industry ("Grants in EU research", April 18). The June 30 deadline is fast approaching by when EU governments need to agree on freeing up the Ecu700m reserve the Commission wants to use for research – and specifically directed towards the so-called task forces – including the car, the aircraft and the train of tomorrow. Besides the job creation which would result from such research projects, the race to remain competitive is also a priority for European business: Europe puts only 2 per cent of its gross domestic product into research, compared with 2.7 per cent in the US and 2.8 per cent in Japan.

Cecimo, the European machine-tool association, agrees with commissioners Cresson, Bangemann and Kinnock that better co-ordination is required if one is to extract added value out of research in a particular field. It is correct to set priorities in certain key sectors if European industry is to remain competitive and flourish.

Cecimo, however, is concerned that manufacturing technologies – and specifically the machine-tool industry – have not been given adequate consideration in the setting up of these task forces. We are not asking that a task force be set up exclusively for our industry. However, no one can doubt that the machine-tool industry will play a key role in the development of the car, aircraft or train of the future. Cecimo would like to see careful consideration given to manufacturing technologies as an integral part of how the task forces evaluate future research projects and technologies. It has already proposed such a scheme to the European Commission.

After all, of what use would it be to develop a new transport system if the tools to make them were not also developed?

Jean Heymans,
secretary-general,
Cecimo,
Avenue Louise 66,
B-1050 Brussels, Belgium

At risk of repeating same ERM mistake

From Mr Barry Legg MP.

Sir, Barry Riley suggests ("The Roman spring of Mr Blair", April 27/28) that it might be safe to rejoin the ERM soon with D-Mark interest rates at possibly their lowest post-second world war level. Not so. That would risk repeating former chancellor Nigel Lawson's mistake when shadowing the D-Mark, of cutting UK interest rates to prevent sterling appreciating against the D-Mark. The policy was inflationary then and would be now.

Since 1992, a successful low inflation strategy in the UK has been followed which allows sterling to float. To cut UK short-term interest rates to German levels in the foreseeable future would put all of this at risk. The ERM is indeed a perverse mechanism since the UK economic cycle and financial structure is not synchronised with Germany's.

Barry Legg,
House of Commons,
London SW1A 0AA, UK

Simple argument to reverse VAT ruling

From Mr Denis Appleby.

Sir, I firmly believe that the very recent decision in the Court of Appeal – which in effect determined that the interest paid by a supplier to facilitate an interest-free supply on credit is tantamount to a reduction of the supply price by the amount equivalent to the interest charge – will be reversed in the House of Lords ("Government finances plunged into turmoil", April 25). In my view the interest paid is simply an item of cost in much the same way as interest paid by the supplier to his banker for his overdraft to provide working capital and which cannot in any way be regarded as a price reduction.

Conversely, it is difficult to perceive how anyone could imagine discount vouchers given by Argos could be other than a reduction in the selling price. What is the difference between a discounted voucher price and a "sale" price? It is appropriate, in this instance, that VAT be levied on the reduced price.

Denis Appleby,
18 Darnbrook Way,
Nunthorpe,
Middlesbrough,
Cleveland TS7 0RA, UK

From Mr R.N. Gutteridge.

Sir, The transaction at the heart of the VAT excitement was very humble. In simple terms a three-piece suite was sold for £709, payment to be mada by 24 monthly instalments with no charge for credit. The Court of Appeal ruled that the interest element could be ignored in calculating the amount liable to VAT.

This ruling, if not appealed, would enable retailers to reduce prices by a modest amount to those who use this method of credit, mainly the less affluent. I cannot understand why an avowed tax cutter like John Major, the prime minister, wants the decision contested vigorously and also, why Labour's Treasury team takes the same view ("VAT ruling costs 'exaggerated' ", April 27). It's a funny old world!

R.N. Gutteridge,
16 Reid Avenue,
Caterham, Surrey, UK

From Mr Christopher Fogg.

Sir, I do not want to spoil the party of the large retailers preparing their VAT repayment claims but surely they should also be contacting their end customers to advise them of the refund they are due?

Christopher Fogg,
Paper Mill Plant Company,
7 Dorset Road,
Loodon SW19 3EY,
UK

Andean struggle for reform

Sally Bowen on controversy over the role of foreign capital in Bolivian privatisation

It is only half in jest that Bolivia's President Gonzalo Sanchez de Lozada talks of retreating to a monastery when his term of office is up in August 1997 – "so I don't have to keep on talking".

Three years of Latin American politicking have somewhat subdued this articulate extrovert, the man who researched and sold to Hollywood the idea for the 1969 hit movie *Butch Cassidy and the Sundance Kid*, and who went on to build Bolivia's biggest private mining company before gaining the presidency.

Today, his popularity is in tatters. Outside the elegant government palace in La Paz, armed police with riot shields keep protesters et bay. Opposition congressmen and rock-throwing student activists call him a dictator.

It is what Mr Sanchez de Lozada terms his "gigantic efforts et social and political engineering", including one of Latin America's most radical privatisation programmes, that have aroused the hostility of entrenched interest groups. If he succeeds after months of negotiations in completing the reform programme he embarked upon in 1993, "Bolivia will be a completely different country," he says. "It'll never go back to what it was before."

Most observers would judge this a good thing. Bolivia's main claims to international fame have rested on the frequency of its military coups and its position as the world's second largest producer of coca, the raw material for cocaine.

Bolivia's economic indicators smack more of sub-Saharan Africa than of Latin America: four-fifths of the rural population live in extreme poverty. In the countryside, more than 36 per cent of people are illiterate, malnutrition is widespread and 9.4 per cent of children die before their first birthday.

In 1985, Bolivia applied a widely-acclaimed programme of economic stabilisation and structural adjustment, the first Latin American country to do so within a democratic framework.

Reuter

President with popularity in tatters: Gonzalo Sanchez de Lozada

"We were the pioneers, the model," says Mr Sanchez de Lozada, economy minister in the reforming 1985-89 government. "But eight years later, people were asking why there was no growth, why poverty hadn't disappeared, why we weren't all dancing in the streets."

Elected in 1993, "Goni" (short for Gonzalo) – as he is known to most Bolivians – looked an unlikely president for an impoverished and conservative Andean country. A philosophy graduate of Chicago, his long years of residence in the US left him more at home speaking English than Spanish. His straight-talking, self-deprecating style and dry sense of humour are unfamiliar qualities in the often pompous and flamboyant world of Latin politicians.

Building on the earlier reforms, the president launched a sweeping scheme to revolutionise his native country. It rests on three main pillars: administrative decentralisation with "popular participation"; educational reform; and an idiosyncratic privatisation programme known as "capitalisation".

The first two, involving the transfer of central government funds to local municipalities, provoked resistance from civil servants, teachers' unions and politicians who correctly foresaw the erosion of their traditional influence.

But it is capitalisation, the cornerstone of Mr Sanchez de Lozada's economic reform programme, that has stirred recent and violent protests.

Bolivia's six largest state-owned companies – responsible for electricity, telecommunications, oil, mining, and air and rail services – are being transferred to foreign investors. In return for a 50 per cent stake and management control, the new "strategic partners" inject fresh capital into companies that have often been starved of investment. The Bolivian people own tha remaining 50 per cent. Four have already been transferred; Stet of Italy, for example, is investing $610m in the telecommunications network.

Although Mr Sanchez de Lozada says he was influenced by the privatisations in east Germany following German reunification, the "capitalisation" idea has Bolivian roots. While campaigning in poor rural areas four years ago, he says, he came ecross a peasant farmer who had arranged to finance his seed and fertiliser requirements through a city-dwelling friend. The partners split the annual crop 50-50.

"I realised the Bolivian peasant mentality was exactly it. In the Andean culture were the attitudes that could make capitalisation acceptable," Mr Sanchez de Lozada explains.

His aides say he has spent hundreds of hours negotiating the reforms. The key hydrocarbons law, which must be passed before the state oil producer can be offered to bidders, ran through 56 drafts before reaching the Bolivian congress.

"It's weeks on end in smoke-filled rooms, talking and brainstorming until things fall into place," says the president. "Maybe I bit off more than I can chew."

The most complex reform is yet to come – getting all of Bolivia's 4m adults issued with a private pension fund passbook containing their shares in the "capitalised" companies. "None of us quite realises the implications yet," he says. "It'll mean development of domestic savings, capital formation, a stock and bond market almost overnight. But my political opponents are scared to death it could get my [MNR] party re-elected next year."

To pull it off, Mr Sanchez de Lozada knows he must get out of the government palace, travel the country and win back the support he had in his 1993 election campaign. "My popularity's destroyed, but my credibility's still high," he says.

Both foreign and Bolivian business people believe he may just succeed – despite what he calls his opponents' attempts to "beat us in the streets" – in explaining a complicated and radical programme to the millions of Bolivians who stand to benefit from their first formal savings and pensions scheme.

COMMENT & ANALYSIS

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Underwriting Mr Yeltsin

In different circumstances, the deal reached on Monday to reschedule Russia's former Soviet debts to sovereign creditors would put the seal on Russia's triumphant re-entry into world capital markets. But with the presidential elections just seven weeks away, no one can think about celebrating just yet.

The Paris Club deal is the latest in a number of western efforts to underwrite both President Boris Yeltsin and the cause of Russian economic reform in the lead-up to the election. Like the three-year $10.2bn loan agreed with the International Monetary Fund earlier in the year, and the commercial debt rescheduling being hammered out in London yesterday and today, the agreement in Paris is both a reward for much better macro-economic performance and a heroic bet on the future.

While the Russians were not able to win an outright reduction of the more than $40bn stock of sovereign debt which they inherited from the Soviet Union, the terms of the rescheduling are reasonably generous. They get a six-year grace period before they must start repaying the principal on the debt, and a total of 25 years to pay off all their remaining obligations.

Few other countries would have been able to win such a deal in such inauspicious circumstances. But observers need to keep several considerations in mind in judging the deal's generosity. The first is that it costs Russia's creditors relatively little, at least in the short run, since Mr Yeltsin would not have started to repay the debt *without* it.

In theory, the Paris and London Club deals do pave the way for a Russian return to the international capital markets. But no one, except perhaps the odd Russian official, now believes that a Eurobond issue could possibly get off the ground before the election.

The greatest potential cost of the deal relates not to its precise terms, but rather to the signal it could send to Mr Yeltsin: namely, that his supporters in the west will do almost anything to help him get re-elected. This is indeed a gamble, but it is one that the IMF has already made on the west's behalf in signing Russia up to a three-year loan programme.

Mr Yeltsin has already shown himself more than willing to take advantage of external fears of a Communist electoral victory in his behaviour on the campaign trail. Both he and the prime minister, Victor Chernomyrdin, pepper their speeches with unfunded spending pledges, amid dwindling tax revenues and considerable foot-dragging in the implementation of many of the government's formal promises to the IMF.

All of Russia's creditors must hope that Mr Yeltsin sticks to the letter of the IMF programme, even if he strays somewhat from the spirit. The danger, however, is that he will stray even further.

Friend Helmut

Chancellor Kohl's visit to London, in the midst of the argument over BSE, was a gift to cartoonists and headline writers. With questionable taste, but no doubt fearing he would otherwise be accused of lacking confidence in British beef, John Major arranged for it to be served at Monday's luncheon in Downing Street. Mr Kohl, who was given due warning and could have requested a change of menu, decided not to do so.

This was not an act of reckless courage. Whatever view one takes of the possible links between BSE and Creutzfeldt-Jakob disease, a man of Mr Kohl's age is unlikely to contract the latter before anything else gets him. It was, however, an elegant and courteous response. That Mr Kohl refused journalistic invitations to turn it into a blanket endorsement of British beef, prejudging medical and political decisions yet to be taken, was hardly surprising. Yet this earned him a new shower of brickbats from the British press, of which The Sun's ("Hypokraut!") was as usual the pithiest.

All good clean fun? Not quite. The constant barping on Mr Kohl's girth and appetite, used as a crude metaphor for German power and allegedly overweening self-confidence, says less about Germany than about Britain's own national state of mind.

Of course, the real target of such jibes is often Mr Major, whose slight build and "waxen" mien are taken as equally emblematic of *his* political health. But the taunts form part of an insistent *leitmotiv*, developed with particular verve in newspapers whose proprietors are "Anglo-Saxons" from outside Europe, to the effect that Germany is forcing its partners into a federal Europe forged in its own image and under its domination. Mr Major's main fault, seen through this distorting prism, is his failure to understand the full enormity of the German project and to resist it with sufficient vigour – or, failing that, to organise Britain's escape.

Such talk is arrant nonsense. Germany is indeed the largest and richest country in the EU. It *is* led by an able and successful politician. Its grim past does make it more sensitive than some to the dangers of nationalism, while its postwar success has given it a positive view of federal structures. But that is as far as it goes.

Mr Kohl is a pragmatic leader, whose instinct is to do things by consensus. He shares many British views, notably on the importance of free trade and competition. He has now belatedly realised that these views are so important to the health of the German economy that domestic consensus may have to be sacrificed to them. But he knows that in the European context consensus remains essential. Such British conservatives as have not yet succumbed to Mad Eurosceptics' Disease have no reason to fear him, and many to be grateful for him.

British Gas agenda

Yesterday marked the end of an era for British Gas when, at the annual general meeting, Mr Cedric Brown bowed out as chief executive. He will be the last to hold his post, as the company demerges into two parts next year. It was his misfortune that in the eyes of the public, Mr Brown symbolised the recent mistakes of the company. By no means did he bear sole responsibility for its shortcomings, nor have the difficulties gone with his departure. However, the changing of the guard is likely to help British Gas solve those problems and regain control of its future.

Perhaps the most damaging legacy of recent years is British Gas's loss of credibility with the public and, to some extent, with shareholders. It had only made slow progress in building up goodwill after privatisation, partly because too little thought had been given to privatising the gas industry to the introduction of competition. Then came the uproar over Mr Brown's remuneration and customer service levels.

The pay issue stirred up public hostility to the entire programme of utility privatisation. Yet it was avoidable, had the board been more alert to political sensitivities. Even more serious was the apparent damage to service standards stemming from the internal reorganisation. The Gas Consumer Council, the consumer watchdog, attributes part of last year's record level of complaints to the pay row, but says standards also appeared lower.

Mr Brown, the last main representative of the pre-privatisation British Gas within the management, bears some responsibility for those misjudgments. But not all: Mr Richard Giordano, the chairman, is also associated with that record and will be judged on whether he can now improve it.

Rebuilding goodwill ranks as one of the most urgent tasks. That may be easier after British Gas splits into two listed companies, British Gas Energy, the new trading company, and TransCo, which will own the regulated, monopoly pipeline business.

In theory, the demerger will simplify management, making it easier for British Gas Energy to focus on customer satisfaction. It needs to do so rapidly, given the competition it will soon face in the residential market.

The second problem facing British Gas Energy is the unresolved dispute over its "take-or-pay" contracts for buying North Sea gas from independent producers, which commit it to buying gas at a price far above present levels. The liabilities for British Gas are potentially enormous; but there has been no sign in recent months that producers are willing to renegotiate. British Gas should face up to the fact that the government is not going to bail it out, and should adopt a more realistic approach in talks with producers, for instance, on the timing of deliveries.

If the management team can address those problems rapidly, it will have compensated for the performance of the past few years.

New gloss on chemicals giant

ICI's chief executive has set ambitious profit targets in a drive to change the culture of the group, says Jenny Luesby

Mr Charles Miller Smith, chief executive of Imperial Chemical Industries, says he knows how he is going to refurbish his "clearly underperforming" chemicals group: he will improve profit margins by concentrating on consumer-oriented products in the world's fastest-growing economies.

"ICI is going to be the Procter & Gamble of paints", he says – a surprising aspiration for a man who built his career at Unilever, P&G's main multinational competitor in consumer goods.

When he joined ICI last year, Mr Miller Smith says he found a traumatised organisation, peopled by survivors from one of the world's most comprehensive management "delayerings".

Bold commitments to cost-cutting and to a narrower portfolio of products had brought waves of redundancies that left the group's grand Millbank headquarters echoing with empty offices. But the promised new focus proved elusive.

Mr Miller Smith's job, he says, is to provide staff with "clarity of purpose". In 1993, with the demerger of its lucrative pharmaceuticals and agrochemicals business into Zeneca, ICI ended its reign as the UK's largest manufacturing company and became known as the "everything else" company.

On his appointment at the age of 54, Mr Miller Smith took time to acclimatise to the arcane world of chemicals. He ordered a strategy review and began a gruelling string of worldwide tours. Management consultants came and went, leaving senior executives and the board poring over market analyses and benchmarking studies comparing ICI's performance to that of its rivals.

Now, more than a year after taking up his post, Mr Miller Smith is unveiling his vision. ICI, he says, is going to move away from bulk chemicals towards intermediate and consumer-oriented products. And it is going to shift the emphasis from Europe and to America and Asia. ICI wants "to be the industry leader in creating value for its shareholders and its customers".

Critics say it is hard to distinguish this from the strategy of any other large chemical company – or from ICI's own strategy for many years. But, says Mr Miller Smith, this is the beginning of "a new ICI", and anyone who suggests otherwise will be leaving the group.

The new chief executive will not tolerate sceptics. There are too many within ICI, he says. Hitherto, the group has been regarded as a lifelong employer. But Mr Miller Smith has decided to replace 30 to 40 of the group's top 150 posts with outsiders in the next 18 months.

What he wants, he says, is commitment – of the passionate variety. His first attempt to achieve this came in March, when he hosted a live television phone-in linking ICI's 24 sites and costing more than £100,000. With the air of a headmaster, keen to be helpful but slightly irritated by the medium and the lack of enthusiasm from his audience, Mr Miller Smith fielded questions from around the globe.

Many were thinly veiled pleas for clues on how Mr Miller Smith's strategy differed from that of his predecessors.

ICI has been aspiring to market leadership for years, and yet, as Mr Miller Smith acknowledges, hardly any of its businesses are the best in their sector.

In promising a shift away from bulk chemicals, Mr Miller Smith is doing as ICI chief executives generally do. It was a similar aim that saw ICI buy a string of speciality chemical companies in the 1980s which overstretched the company and left the share price languishing – prompting the threat of a takeover by the Hanson group.

And while ICI's shift away from Europe has been more successful – it has doubled its sales in Asia and America in 10 years, to reach 40 per cent of turnover – it is hardly new.

The radical part of Mr Miller Smith's plan is in the performance targets and in the fate of those who fail to meet them. In the paints business, where the annual return on net assets has averaged 18 per cent over the last decade, the new chief executive is committed to a return of 30 per cent. He has given himself three years to achieve this. If he does not, he will have failed, he says.

He has set similar targets for all the group's downstream businesses, and for bulk chemicals he is aiming at a return of 20 per cent: equivalent to the very best in the industry. Yet ICI is a below average performer in many of these chemicals.

Similarly, the group will closely monitor its share price. Since the demerger, Zeneca shares have been among the best of international drugs companies, while ICI shares have been among the worst in international chemicals – although there has been a recent surge in the price caused by rumours that the company is planning to use its spare cash to buy back shares.

But the new chief executive will not find it easy to meet his ambitious targets. Last year's upturn in the prices of bulk chemicals was followed by a sharp fall, and profit growth has stalled.

ICI's problem is that two-thirds of its sales are either in low-margin or in highly cyclical businesses. The remaining third of its turnover is generated by three profitable products: acrylics, used in shop signs and baths; polyurethane for such products as adhesives and refrigerator insulation panels; and polyester, used principally in plastic bottles.

Last year, even when bulk chemicals were performing exceptionally well, these businesses accounted for 30 per cent of sales – but nearly 40 per cent of profits. Polyester sales alone rose from £600m to £1.4bn, and accounted for between 15 per cent and to 20 per cent of the group's profits, according to equity analysts.

However, polyester profits are set to decline. The growth of the market has prompted a rash of capacity expansions by ICI and others, increasing the supply and pushing down prices. In the first quarter of this year, polyester prices fell by 10 per cent to 15 per cent, says Mr Miller Smith, and they are likely to continue to deteriorate, perhaps for several years. At the same time, ICI has lost its lead in market share in the sector to Amoco. Senior ICI executives acknowledge that they failed to invest enough in their own advanced polyester technology.

Mr Miller Smith's solution to the challenges facing ICI is straightforward. There will be no dramatic upheavals. He simply plans to drive the group's growth businesses "much harder", he says.

He has launched what he calls a "value gap" programme, setting every business in the group targets for minimising working capital, making the best use of technology, and increasing the efficiency of the supply chain. This, he says, will take out £400m a year in costs.

He does not plan any wholesale disposals of existing businesses. He is committed to Klea, the group's substitute for the environmentally damaging chlorofluorocarbons used in refrigeration and aerosols. The business has been "disappointing", but he is confident "its time has come" and predicts an imminent shake-out among ICI's competitors.

Nor does the group plan a series of aggressive acquisitions. "There are companies that we are very interested in, which we have been tracking for up to 20 years. If the call comes, we will jump." But acquisitions, he says, are "largely a matter of serendipity", and the group is not counting on them.

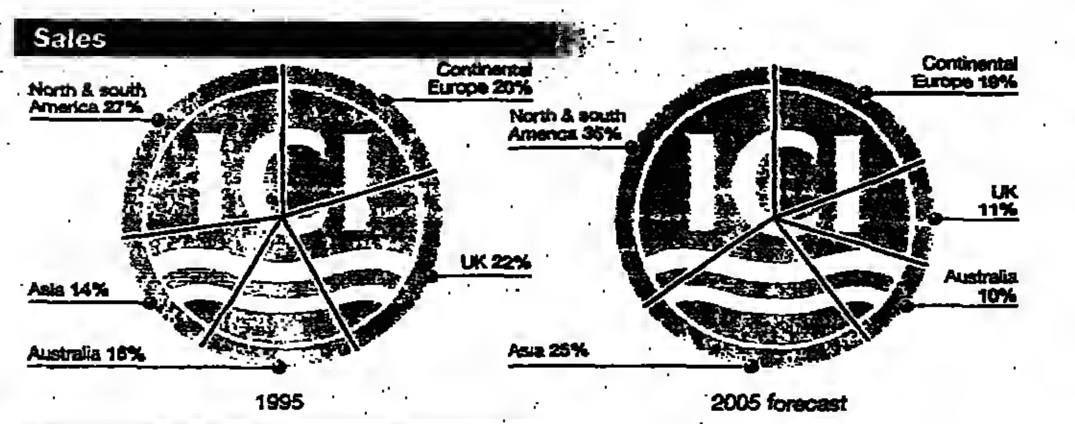
ICI has made two large paints acquisitions under Mr Miller Smith: Grow of the US and Bunge in South America. But paints has also been a disappointing business, with high research and development costs – with almost every ingredient in paint being replaced for environmental reasons – and low prices in an overcrowded market.

But it is one in which ICI is going to buck the trend, declares Mr Miller Smith.

He acknowledges that his is a nip-and-tuck style of management. His predecessors' solutions were more dramatic. "But in the grand scheme of things, it has been the detail that has been overlooked."

Mr Miller Smith is happy for the group to remain diverse. But he will insist on managers meeting their targets. In the old days, if targets were not met, it was often the underperforming business that was disposed of. Under Mr Miller Smith, it is more likely to be the underperforming manager who leaves.

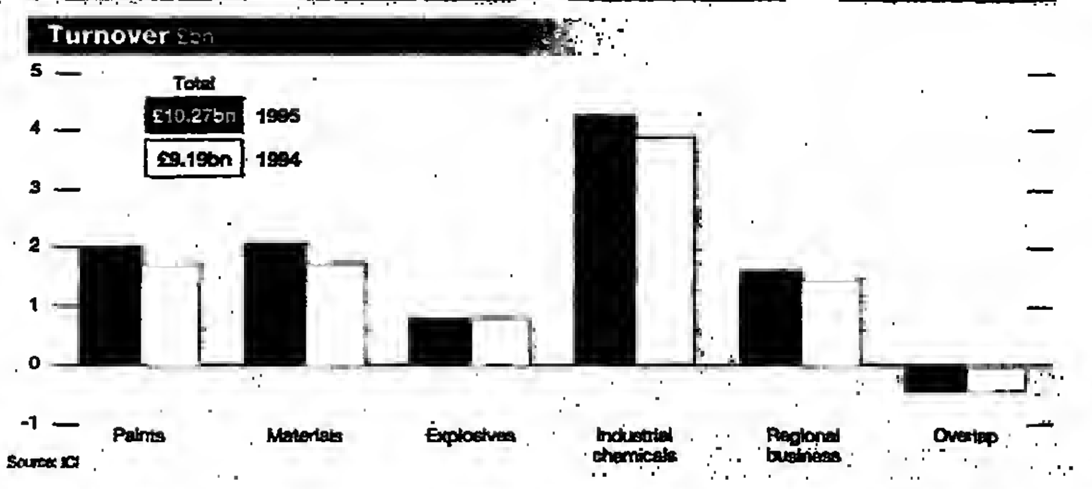
Sales



Business by type of product

Bulk	Intermediates	Effect	Consumer
Polyester raw materials	Polyurethanes	Explosives	Decorative paints
Pigments for paint	Acrylics	Surfactants	
Klea	Polyester film	Catalyst	
Regional		Refinished paints	
		Packaging paints	

Turnover £bn



Source: ICI

Charles Miller Smith, chief executive

· O B S E R V E R ·

Doling out cyber-junk

■ Observer was only joking last month when noting, with wry suspicion, Bill Clinton's use of Japanese terminology for balls and strikes in baseball.

But Bob Dole was apparently not in jest this week when he took to the Senate floor to accuse the president of allowing Tokyo to take over the White House "home page" on the Internet.

Dole has never been a cyber-addict but, 21 points behind Clinton in a poll out yesterday, he cannot leave any stone unturned in nailing the president. The object of his ire was an agreement, first proposed by the Japanese foreign ministry before Clinton's Tokyo trip three weeks ago, to make available to White House home page browsers one of its sites, grandiosely called *People Bridging over the Pacific*.

To Dole, this meant that the Japanese "are writing the trade policy papers for the Clinton White House." This came as a surprise to the administration; it's just called a trade truce with Tokyo, and thought it was only being polite in its cyber-pact, commonplace enough on the Internet. Still, the Japanese connection has now been discontinued.

Left unclear at the end of the day was whether White House home page browsers found the Japanese contribution more interesting than another facility – "conversations" with Socks, the First Cat.

Rohr of the crowd

■ Football is attracting unprecedented media attention, mainly because of its status as the world's biggest professional sport. Because of its size and global appeal, it's football that's causing the greatest palpitations among the moguls of cyberspace.

But one man still has his feet on the ground. Step forward Gernot Rohr, the trainer at French club Bordeaux, which plays Germany's Bayern Munich today, at the Olympic stadium in Munich, in the first leg of the Uefa Cup final.

There is a Bavarian soap opera unfolding at the German club, where chairman Franz 'Kaiser' Beckenbauer, a legend in German football, sacked the coach last weekend and has appointed himself as replacement.

Rohr has retained a refreshingly realistic approach to all this, saying yesterday: "I've told my players to get ready to play in front of 65,000 fans who have been drinking beer all day and who are going to the stadium to shout." Let's hope that's all they do.

Wheels within

■ Proof of whether John Towers jumped from the driver's seat at Rover – or was pushed – may determine how easily BMW finds a successor.

If Towers becomes top dog at a big engineering group - such as Lucas Industries, in succession to George Simpson - his departure will be interpreted as a jump, vindicating BMW's claim that Towers always said he would move after a "transitionary period" under the Germans.

But if he slips into relative obscurity, cynics will say he was squeezed by Wolfgang Reitzle, BMW's research and development supremo – who took the Rover chairmanship last September – and by growing German disenchantment with the slowness of Rover's recovery.

A less-than-stellar landing for Towers could also thwart BMW's search for a successor. BMW says running Rover offers a great opportunity for a youngish executive wanting to star in a long-term recovery story. But with Rover still in the doldrums, candidates will hardly be queuing outside the door.

A loud retort

■ Critics of Nelson Mandela's economic policies – a growing band – will be relieved to hear that state-owned South African Airways is pressing ahead with privatisation, in an area of great interest to many South Africans.

The latest issue of Voyager, SAA's frequent-flyer newsletter, says the airline has hired an outside contractor "to provide a handling and shipping service for hand-carried firearms". For a charge of R50, the company offers to put a gun on the same flight as its owner and return it at the destination. This is welcome news for South Africa's brazen car hijackers and bank robbers – another growing band. "Mind how you stow my AK-47 – it's been with me a long time." The contractor is being careful, however. Credit cards are acceptable as payment – but not cheques.

Modesty in Manila

■ As Manila's cocktail circuits clog up with bankers and economists attending the Asian Development Bank's annual meeting this week, onlookers are wondering if poverty will get much of a look-in.

A feast of ADB-organised daily seminars has attracted hundreds of foreign academics and officials to the Philippine capital. Those invited to contribute to the standard three-hour seminar are compensated with a modest honorarium for their pains.

Well, not that modest, at $10,000 per head for non-government invitees. But, as ADB officials point out, the stipend is meant as a lump sum, covering airfare and hotel costs as well. Positively penny-pinching...

The Financial Times

100 years ago

Great Western of Brazil Railway

The annual general meeting of the company took place yesterday in London, Mr. Frank Parish, the chairman, presiding. He said:- "The company had suffered from a strike which was of a rather serious character, extending as it did to nearly all the workmen on the railway. This strike caused a stoppage of the traffic for one whole week, and they were only able to put an end to it through the interference of the Government, and by paying up to 25 per cent extra wages. This strike, like most other strikes, had some foundation for it, but in the main it was unreasonable, and, as usual, was violent in character."

50 years ago

Dutch rates war

The Dutch banking system has apparently declared war on the Netherlands Government over the question of short-term interest rates. Even though the Government's answer to last week's challenging action by the banking institutions of tendering for Treasury paper at rates above those previously ruling was to cut the allotment to a bare 3 per cent of the amount offered, news reached London yesterday that the rebellion is to continue this week.

FINANCIAL TIMES
Wednesday May 1 1996

Japan and Russia agree to co-operate on defence

Exchange of information deal heralds warming of relations

By William Dawkins in Tokyo

Japan and Russia have agreed to a limited exchange of defence information – despite being technically at war with each other.

The rapprochement between the two countries, which have yet to sign a peace treaty after the end of the second world war, is the fruit of the first formal meeting of top defence representatives from both sides.

It is the first concrete sign of a new cordiality in Russo-Japanese relations since the start of the year. It has been encouraged by the US and the formation in January of a conservative Liberal Democratic party government in Tokyo keen on building defence co-operation in Asia.

The agreement, signed by Mr Hideo Usui, director-general of Japan's defence agency, in effect the defence minister, and Mr Pavel Grachev, his Russian counterpart, represents Japan's widest ranging security accord with any country apart from its traditional ally, the US.

Under the agreement, both countries will notify each other of large military manoeuvres, allow naval ships to dock in each other's ports and carry out joint communications exercises.

They also undertook to hold further regular talks between senior military officers and to share information about security developments in north-east Asia.

Russia and Japan share concerns over Chinese military spending and the intentions of North Korea, following its recent symbolic excursion into the demilitarised zone separating it from the south. Japanese officials were also reported as saying they planned to start talks with Moscow on the possible purchase of Russian defence equipment.

The defence agreement follows extensive diplomatic activity over the past few months. Mr Yukihiko Ikeda, the foreign minister, met his Russian counterpart in Moscow in March.

He was followed in April by Mr Ryutaro Hashimoto, the prime minister, who went to Moscow for a summit on nuclear safety.

Mr Hashimoto proposed at a meeting with Russian President Boris Yeltsin, in the sidelines of the nuclear conference, that their defence chiefs should get together. The Japanese leader was responding to an appeal for warmer Japanese-Russian relations by US President Bill Clinton at a summit with Mr Hashimoto a few days previously.

There remain, however, unresolved issues such as the four islands off northern Japan which both sides claim as their own. The islands, known as the Northern Territories in Japanese and the Kuriles in Russian, were occupied by Soviet troops in the closing days of the Pacific war.

They are seen as a potent symbol of sovereignty by both sides. Mr Usui refrained from mentioning the islands, to avoid jeopardising the accord, an official said.

Japan wants bigger part in world affairs, Page 8

Barbs for Barbie as Russians seek more sincere doll

By John Thornhill in Moscow

Russia has endured some humiliating affronts to its national pride since it stopped being a superpower. And the love lavished by the country's girls on American dolls – especially the ubiquitous Barbie and Sindy – appeared to cause particular offence.

But no more. Mr Slava Zaitsev, one of Russia's leading fashion designers, is attempting to create an adorable doll with a real "Russian spirit". Under the slogan "Goodbye Barbie, hello Marusia!" Mr Zaitsev has staged a competition, attracting 15,000 girls aged 10 or below, to find the essence of Russian girlishness.

The panel of judges, consisting of artists, designers and toy makers, identified three girls – Katya, Vika, and Anya – as personifying the spirit of Marusia. They will now serve as the inspiration for a new all-Russian doll.

Condemning Barbie as scrawny, cold, cynical and pragmatic, Mr Zaitsev believes Marusia should be chubby, cosy and, most important, sincere.

"Look at our children. They are not only beautiful, but in every face there is a secret. That is how our Russian doll must be," he told the competitors at a Moscow nightclub.

It was not disclosed how quickly the doll will be designed and prodnced, but Mr Zaitsev already appears to be developing big career plans for Marusia, believing her spiritual qualities will be much appreciated abroad.

"Russia is the soul of the world," he told the Moskovsky Komsomolets newspaper.

But Marusia has a long way to go before she can match the high-flying Barbie, who is sold in 140 countries, and has in her time been depicted as an airline pilot, beach babe and Unicef ambassador.

Mr Zaitsev is renowned for his outlandish fashion shows and appears to be hatching some unconventional marketing ploys to promote his new product.

According to one of his story plots, Marusia would attach two giant balloons to a Barbie doll and threaten to float her skywards and out of Russian territory. But in a moving last-minute act of international reconciliation, she would reprieve her US comrade.

Audi to assemble its sports cars and engines in Hungary

By Haig Simonian in London

Andi, the executive cars subsidiary of Germany's Volkswagen group, said it would assemble its new TT range of sports cars and a large share of its engines in Hungary.

The decisions mark the first time a German luxury carmaker has sourced an npmarket model exclusively from eastern Europe. Although VW and Opel, the German subsidiary of General Motors, have significant satellite assembly operations in eastern Europe, Andi is the first German executive cars group to follow suit.

Audi is investing abont DM800m ($526m) in the TT range of sports cars, which will go on sale in 1998.

While body pressing, welding and painting of the curvaceous TT models will be done at Audi's big Ingolstadt works in Germany, final assembly will take place at Audi Hungaria Motor, the group's Hungarian operation.

Mercedes-Benz and BMW, Andi's more established executive market rivals, assembla vehicles in a number of locations, often to circumvent high local tariffs. But both have traditionally sourced all their cars for the domestic and European markets from Germany.

In recent months, however, BMW has started importing its Z3 convertible, designed principally for the US market, from its new US plant, while Mercedes-Benz plans to do the same with its new US-built M-Class four-wheel drive vehicle, which is due to go on sale next year.

Andi, which started building four-cylinder engines in Hungary in 1993, has argued it needs to mix foreign and domestic manufacturing to safeguard German jobs.

By taking advantage of significantly lower wage rates and production costs in Hungary, it would be able to keep its prices at competitive levels and thereby achieve satisfactory sales volumes.

The company presented yesterday's decision to assemble the TT in Hungary as a boost to its German employees, as it would also bring additional work to Ingolstadt. About DM270m of the new investment will be spent on machinery and dies at the plant.

The move marks a significant boost for Audi Hungaria Motor, which has up to now only manufactured engines.

Apart from assembling the TT, it will become the sole manufacturing and assembly source for Audi's V8 engines and the exclusive assembly site for its V6 power plants.

Audi hopes to sell about 20,000 TT coupes and 10,000 convertibles a year once production starts in 1998.

Part of the investment for the new cars will go to Steyr-Daimler-Puch, the specialist Austrian engineering group, which will develop existing prototypes into full-scale production models.

Some observers had expected mass production of the TT to be sub-contracted to Steyr-Daimler-Puch, which had bid for the work. However, Audi eventually decided to make the new models itself.

Beef ban to be lifted in stages

Continued from Page 1

Britain's plan as the "first step in the right direction", it noted "the necessity of strengthening the programme through additional measures".

Pointing to a possible relaxation of the ban on gelatine, tallow and semen, the agreement said questions about these would be put to the veterinary committee due to meet on May 7 and 8.

The veterinary experts, who met yesterday morning to consider the British plan, criticised it on several counts, including the fact that it allowed farmers the option of quarantining cattle rather than slaughtering them and that the system of registering BSE animals was weak.

Internet group in $2bn deal

Continued from Page 1

communications company". Following the completion of the deal, Mr Sidgmore will remain chief executive of UUNet and will join the board of MFS.

Mr Bill Gates, chairman and chief executive of Microsoft, also expressed his support for the deal.

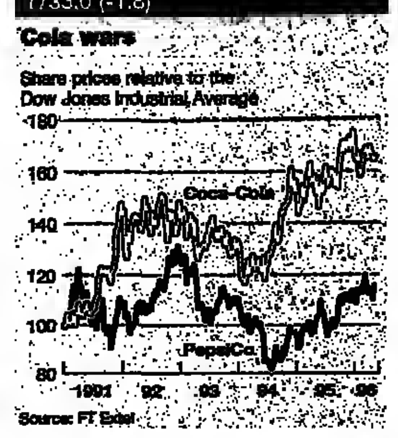
The combined company will have annual revenne of some $1.02bn, with more than 50,000 business customers in the US, Europe and Asia.

Following the announcement MFS's share price slipped to $33 in mid-session, down from Monday's close of $34⅝. UUNet jumped to $55⅞ from Monday's close of $48⅞.

THE LEX COLUMN

Suez takes shape

FT-SE Eurotrack 200:
1733.0 (-1.8)



The sale of Banque Indosuez to Crédit Agricole is not the beginning of the end of the restructuring of Compagnie de Suez, but it is the end of the beginning. The ragbag of businesses in the Snez portfolio had become strategically and financially unmanageable. Even after hiving off Banque Indosuez' problem property loans into a separate company, the group was too stretched to invest adequately in its diverse array of businesses. And financial weakness was undermining the credibility of Indosuez' business – as its credit ratings dipped, borrowing costs rose, and client confidence ebbed.

The sale will pay off its parent's debt – and a valuation of 1.1 times Indosuez' book value looks like a good deal, considering the bank's disastrous financial performance. If Suez' utilities and financial services companies are to provide the dual focus of the new-look group, more disposals are needed. But Suez now has the financial firepower to start buying out minorities. Without at least majority ownership of its holdings, the parent will be unable to exert the management control which would give it a real raison d'être.

Crédit Agricole also has its work cut out. Of course, there is virtually no overlap between the domestic retail bank and the investment bank, and Crédit Agricole has the financial muscle to back Indosuez' development. But this could prove expensive. Indosuez is a reputable trade finance house, and has a number of strong market positions, for example in broking in France and in the Far East. But there are noticeable gaps – in underwriting and in bonds. Crédit Agricole/Indosnez cannot yet mount a challenge to Europe's largest universal banks – but it is probably the only French bank which can even hope to do so.

PepsiCo/Coca-Cola

PepsiCo's profits may be storming ahead, but it is easy to see why it relaunched its international cola business. Pepsi-Cola's international operations have got the blues, with unacceptable margins and growing competition even in comparative strongholds such as eastern Europe. Launching Pepsi Blue is an intelligent move to differentiate the product from arch-rival Coca-Cola. But it will be a long hard slog before international sales make a meaningful contribution, and the short-term cost could be substantial.

At least things are improving back home, where the two market leaders have seen off the immediate threat from own label competition. Coca-Cola still had the edge in US volume growth during the first quarter, but the prospects for both competitors are favourable. Moreover, PepsiCo's other divisions are looking better placed. Its snack foods business has succeeded in destroying significant competitors in the US – *United Biscuits being just* one victim – and several European markets, and is starting to reap the benefits. Meanwhile, the restaurant business has benefited from some corporate medicine, and is firmly on the recovery track.

Earnings per share should be marginally higher at PepsiCo than Coca-Cola, but its share price is 22 per cent lower. A discount is deserved, but given PepsiCo's accelerating growth rate, it looks excessive.

MFS/UUNet

In the coming battle between Internet companies and old-style telecoms businesses, MFS has stolen a march. The $2bn acquisition of UUNet, a leading provider of Internet access, by MFS, a new-style telecoms group which is building fibre-optic networks in business centres throughout the US and Europe, has numerous advantages. Not only will the merged group be able to market telecoms services and Internet access as a package; UUNet will be able to route traffic through MFS's networks, which have masses of spare capacity, so cutting its costs. Even more important, access to MFS's fat pipes should help remove the Internet's traffic jams, so making it a less frustrating experience.

That said, it is hard to avoid the conclusion that UUNet is living on borrowed time. Old-style telecoms groups have been slow to appreciate the threat that the Internet poses to their core business. But they are catching up. AT&T, in particular, has made an aggressive push by offering customers a year's Internet access for free. The Baby Bells and European telecoms groups like British Telecommunications are also gradually getting their acts together.

By combining, MFS and UUNat should be able to put on an extra spurt that allows them to stay ahead of competitors for a while. They are certainly more entrepreneurial than the old-style telecoms groups. But, in the longer term, the group is likely to be squeezed; unless, that is, some old-style telecoms operator sees it as a good route into the Internet market and snaps it up.

UK underwriting

The Office of Fair Trading is right to feel frustrated that there has been so little progress in reforming Britain's system of underwriting share issues. Despite much debate over many years, the common practice is still for companies to sell equity to existing shareholders through a rights issue at a *discount to the market price*. In exchange for underwriting the fund-raising exercise, the City normally charges a fixed 2 per cent fee. Academic studies have shown that this is an excessive charge for assuming comparatively little risk.

The snag, as ever, is how to remedy the situation. Though the City club operates as a quasi-cartel, it is extremely hard to pin down particular anti-competitive rules or practices that the OFT or Monopolies Commission could ban. Part of the onus is on companies to negotiate better deals with their financial advisers. Not only could they shop around for better underwriting terms; they could also issue deeply-discounted rights issues, which avoid the need for underwriting completely.

But institntional investors should also modify their insistence on pre-emption rights. While existing shareholders clearly have an interest in companies not selling equity on the cheap to outsiders, the standard rights issue – which taps the same investors again and again for cash – can depress a company's share price. It is, of course, hard for the institutions to appreciate the logic of this because every time there is a rights issue they collect the bulk of the underwriting fees. This conflict of interest should be the OFT's next target.

Additional Lex comment on the cross-channel market, Page 19

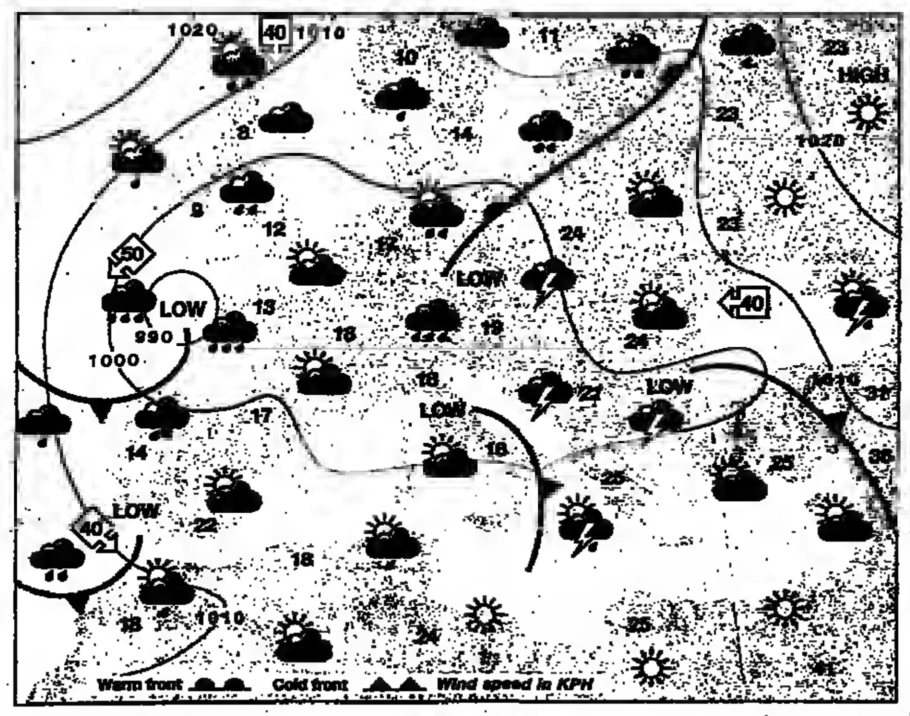
FT WEATHER GUIDE

Europe today

The UK will continue to be unseasonably cool. Most regions will have cloud and occasional showers. Western France, northern Spain and most of Portugal will also experience cool and unsettled conditions. Southern Spain, eastern France, the Benelux and western Germany will remain dry and sunny. A frontal zone will linger across central Europe producing cloud and showers. East of this system, warmer air will promote scattered thunder showers especially during the afternoon and evening.

Five-day forecast

Western Europe will remain unseasonably cool and unsettled until the weekend. There will be rain in most regions and afternoon temperatures will be between 10C and 15C. Central Europe and the Mediterranean will be mild but will have some rain or thunder showers. Eastern and south-eastern Europe will remain dry and warm with maximum temperatures near or above 25C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	32
Accra	fair	31
Algiers	shower	16
Amsterdam	fair	17
Athens	fair	21
Atlanta	sun	26
B. Aires	fair	25
B.ham	rain	10
Bangkok	thund	35
Barcelona	fair	17
Beijing	sun	23
Belfast	fair	0
Belgrade	thund	21
Berlin	fair	19
Bermuda	fair	23
Bogota	cloudy	19
Bombay	fair	33
Brussels	fair	15
Budapest	fair	22
C.hagen	cloudy	12
Cairo	fair	37
Cape Town	rain	22
Caracas	cloudy	30
Cardiff	rain	12
Casablanca	rain	21
Chicago	fair	17
Cologne	fair	19
Dakar	sun	25
Dallas	sun	28
Delhi	sun	39
Dubai	sun	31
Dublin	shower	10
Dubrovnik	fair	19
Edinburgh	shower	8
Faro	fair	20
Frankfurt	shower	18
Geneva	shower	17
Gibraltar	thund	15
Glasgow	cloudy	0
Hamburg	fair	18
Helsinki	cloudy	11
Hong Kong	rain	29
Honolulu	fair	31
Istanbul	fair	23
Jakarta	cloudy	31
Jersey	rain	10
Karachi	sun	33
Kuwait	sun	37
L. Angeles	sun	29
Las Palmas	fair	24
Lima	cloudy	23
Lisbon	shower	17
London	cloudy	13
Luxbourg	fair	15
Lyon	rain	15
Madeira	fair	22
Madrid	fair	17
Majorca	fair	10
Malta	fair	18
Manchester	shower	10
Manila	fair	33
Melbourne	fair	20
Mexico City	fair	23
Miami	fair	29
Milan	rain	17
Montreal	cloudy	12
Moscow	shower	22
Munich	shower	15
Nairobi	cloudy	27
Naples	fair	18
Nassau	fair	29
New York	fair	18
Nice	fair	18
Nicosia	fair	30
Oslo	rain	10
Paris	fair	17
Perth	shower	23
Prague	thund	18
Rangoon	cloudy	31
Reykjavik	fair	5
Rio	fair	25
Rome	fair	19
S. Frsco	sun	29
Seoul	cloudy	20
Singapore	cloudy	31
Stockholm	fair	12
Strasbourg	fair	17
Sydney	shower	10
Tangier	rain	21
Tel Aviv	fair	35
Tokyo	rain	21
Toronto	shower	14
Vancouver	fair	14
Venice	rain	16
Vienna	thund	18
Warsaw	fair	22
Washington	fair	21
Wellington	shower	13
Winnipeg	fair	8
Zurich	rain	12

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 1 1996

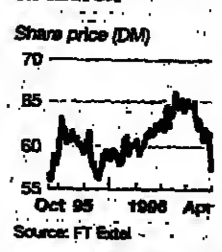
IN BRIEF

PepsiCo advances 23% in first term

PepsiCo's restaurant business showed further improvement in the first quarter to help the US soft drink and snacks group record a 23 per cent increase in net profits to $394m. However, underlying profits rose less quickly. Page 17

Bayerische Vereinsbank ahead 13.4%
Bayerische Vereinsbank, the German bank, said first quarter operating profit before risk provisions climbed 13.4 per cent to DM517.7m ($340m). Page 16

Shares in E. Merck tumble 6 per cent



Shares in E. Merck, the German pharmaceuticals group, fell DM3.71 or 6 per cent in Frankfurt following an analysts' meeting with the company and the release of worse than expected figures on Monday. Mr Mark Tracey at Goldman Sachs reiterated his sell note on E. Merck on the grounds that the fundamentals for the company remained "tough". The Dax index closed down 1.21 at 2,505.25 and in the Ibis the index finished at 2,492.63. Page 32; Hoechst reports slow start but sees improvement, Page 16; Schering sales rise 5%, Page 16

Lehman bid defence comes down
A "poison pill" which deters a takeover of Lehman Brothers dissolves today, but the US investment bank indicated it was not entertaining approaches from the European banks known to be expanding in North America. Page 17

Cathay, Swire shares surge on shake-up
Shares in Cathay Pacific and its parent, Swire Pacific, surged following a reorganisation of Hong Kong's aviation sector which gives big stakes in the territory's airlines to Chinese companies. Page 18

Colonial Mutual to demutualise this year
Colonial Mutual, the Australian life assurer which owns the State Bank of New South Wales and has significant operations in the UK and New Zealand, plans to demutualise later this year, slightly ahead of its previously suggested schedule. Page 18

Hanson sells Grid stake for £405m
Mystery surrounded the identity of the UK National Grid's largest shareholder after Hanson, the industrial conglomerate, sold its 12.5 per cent stake in the power transmission company for £405m ($612m). Page 20

Chilean copper workers prepare to strike
The management at Codelco, the Chilean state copper corporation, has only a day to try to avoid a strike at its Chuquicamata mine, one of the biggest in the world. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
SAP AG	166.5	+	8.1	Air Liquide	939	+	14
Volkswagen	528.5	+	8	Canal Plus	1268	+	17
Falls				Ecco	1167	+	21
Hoechst	515.6	–	11.4	Technip	464.9	+	5.4
Linde	936	–	7	Falls			
Porsche	837	–	13	Immobanque	721	–	24
VEW	440	–	15	Suez	214.1	–	7.9
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Brwng Ferris	31½	+	1¼	Calpis Food	1000	+	46
MEMC Elec	49⅝	+	3⅝	Daido Steel	578	+	17
US Surgical	38½	+	2⅜	Godo Shusei	841	+	28
Falls				NOK Corp	1010	+	52
Delta Pinelnd	43⅞	–	2½	Falls			
Tech Sym Corp	34¼	–	4¼	Toyo Seikan	3710	–	170
Vishay Intr	30⅝	–	3	Yuasa Corp	608	–	17
LONDON (Pence)				HONG KONG (HK$)			
Rises				Rises			
[illegible]	270	+	9	Cathay Pcfc	13.5	+	0.6
[illegible]	530	+	21	HK & China Gas	12.7	+	0.4
MAID	240	+	25	Swire Pac A	68.0	+	3.5
[illegible]	838	+	28	Falls			
Falls				Manhattan	4.8	–	0.15
[illegible]	394	–	19	Swank Intl	1.29	–	0.06
[illegible]	281	–	11	Tai Ping Crpt	2.3	–	0.1
TORONTO (C$)				BANGKOK (Baht)			
Rises				Rises			
Dreco Engy A	32	+	8.0	Mutual Fund	448.0	+	30.0
Ebco	8.2	+	1.05	Thai Engine	176.0	+	16.0
Multi Corp	9.25	+	1.10	Thai Transform	94.0	+	7.5
Falls				Falls			
Dofasco	21.65	–	0.80	Pacific Int	34.25	–	3.25
Depot Cos A	30.3	–	1.0	Thai Ind Gas	32.75	–	3.25
Guardian Cap	10.25	–	1.50	Wattie Grp	29.75	–	3.25

New York and Toronto prices at 12.30pm.

P&O may seek Stena merger talks

By Geoff Dyer in London

P&O, the transport, property and construction group, is planning to ask the UK government to permit it to open merger discussions with Stena, its Swedish rival on the cross-channel ferry market.

The group will argue that as it now faces fierce competition from Eurotunnel, it should be released from undertakings which prevent ferry companies from merging their cross-channel operations.

P&O said it would present its case to the government "in the fairly near future". It dismissed suggestions that it was considering a takeover of Stena.

The statement follows comments last week by Stena that price competition from Eurotunnel might force ferry companies to seek merger talks.

The government blocked such a move by P&O and Stena three years ago on the grounds that as Eurotunnel was not yet operating, circumstances had not changed from 1979 when the undertakings were negotiated.

P&O yesterday disclosed a sharp drop in traffic from its ferry operations in the first quarter of this year, because of competition from Eurotunnel. Analysts said the figures were disappointing.

On the Dover-Calais route passenger numbers fell 17 per cent to 1.58m, from 1.91m, while tourist vehicles dropped 23 per cent to 380,000. Prices had also fallen in the first quarter. The freight operations proved more resilient, with freight units 6 per cent down at 104,000.

P&O said that because Eurotunnel now has a market share of around 40 per cent on the Dover-Calais route, there would have to be some rationalisation of ferry capacity.

Analysts said it was inevitable the ferry companies would re-examine a merger. According to one transport analyst: "P&O and Stena have been the innocent victims of massive capital dumping – £12bn ($18bn) worth of tunnel has been plonked at their door-step."

P&O would have to apply for the undertakings to be released to the Office of Fair Trading, which would then advise the Department of Trade and Industry.

P&O also disclosed a strong performance from its cruise business, which improved yields and occupation rates despite a substantial increase in capacity.

Revenue from containers rose 4 per cent and volumes were 2.6 per cent higher.

The shares increased 1p to 522p in London.

Lex, Page 19

Germany's largest shipbuilder concedes defeat after two-month battle to stay afloat

Bremer Vulkan set to announce its bankruptcy

By Michael Lindemann in Bonn and Hilary Barnes in Copenhagen

Bremer Vulkan, Germany's largest shipbuilding group, is today expected to announce its bankruptcy after an unsuccessful two-month search for the funds needed to stay alive.

In a statement yesterday from its headquarters in the northern German city of Bremen, the Bremer Vulkan management board said it had informed a court that the group had not been able to create a *Vergleich*, the German term for the process designed to reduce and reschedule the company's debts and enable it to maintain skeletal operations.

The statement came a day after Burmeister & Wain, the Copenhagen shipyard, was declared bankrupt after 10 months of fruitless efforts to refinance the group.

Both bankruptcies, although expected, send a clear warning to other European shipbuilders struggling to compete against yards in eastern Europe and Asia where labour costs are much lower.

Commerzbank, the bank most active in trying to keep Bremer Vulkan afloat in the past six months, said its loans – and loans extended by more than 30 other banks – were mainly secured by guarantees from the city state of Bremen. Commerzbank said earlier this year that it had made provisions of DM100m ($65m) in this year's accounts to cover losses at Bremer Vulkan.

Since a number of companies which used to belong to the group – including the Atlas electronics group and the Dörries Scharmann engineering company – have been hived off in recent months, the bankruptcy will affect only 4,200 of the 23,000 Bremer Vulkan employees. The former Bremer Vulkan subsidiaries, some of which are profitable, are themselves either seeking *Vergleich* or looking for new owners.

The 4,200 Bremer Vulkan workers will be taken on for a year by a special company created by the federal labour office which will attempt to retrain them and find them other work.

This is likely to be difficult, however, because the region around Bremen is affected by high and rising unemployment.

Officials at the federal labour office, which will put up about DM80m to finance the employment company, said workers would be lent by the company to another one which would complete ships Bremer Vulkan was working on.

They include the Costa Victoria, a DM600m cruise ship being built for Costa Crociere based in Genoa, Italy.


Reuters
Worker protection: Bremer Vulkan employees will join a company created by the federal labour office

ICI to replace up to 40 top executives

By Jenny Luesby in London

Imperial Chemical Industries, the UK chemicals company, will replace between 30 and 40 of its top 150 executives with outsiders over the next 18 months, according to Mr Charles Miller Smith, chief executive.

In an interview with the Financial Times, Mr Miller Smith said the shake-up was part of a "radical" new strategy for ICI, following a year-long review with management consultants McKinsey.

The group planned to shift the balance of its sales away from Europe, particularly the UK, and into Asia and America.

Last year, the UK accounted for 22 per cent of ICI's sales. By 2005 that proportion would have fallen to 11 per cent, said Mr Miller Smith.

ICI would also concentrate on products that were closer to the consumer, such as paints. Although its balance sheet was "very strong", making the group "infinitely flexible" in terms of acquisitions, any purchases were likely to be opportunistic, he said.

The group did not plan aggressive acquisitions, nor was it close to announcing a share buyback. Instead, it would concentrate on driving its businesses harder. Mr Miller Smith singled out the paints business. ICI is the world's largest maker of paints, producing more than 1bn litres a year.

The group now planned to lift the paints business's annual return on net assets from 18 per cent to 30 per cent. If it did not achieve this within three years, Mr Miller Smith said, he would consider himself "to have failed".

The group has set a similar target for all its downstream businesses, and a target of 20 per cent for its bulk chemicals.

Analysts said yesterday that the targets were ambitious, but necessary. "There is no question that meeting these objectives will be a tall order," said Mr Alasdair Nisbet, analyst with UBS. "But unless very clear and ambitious targets are set, ICI will not grow and change as quickly as it needs to."

However, he warned: "Mr Miller Smith is setting about something that requires a total rethink of the way ICI does business. The risk is that the chemicals market is turning against him: short-term success is unlikely to be supported by an economic upturn."

New gloss on chemicals giant, Page 13; Australian profits, Page 18

Largest Philippine holding company rises 45%

By Edward Luce in Manila

Ayala Corp, the Philippines' largest diversified holding company, raised net profits 45 per cent to 1.5bn pesos ($57m) in the first quarter thanks to healthy gains in all its subsidiaries.

Led by Ayala Land, which is separately listed and is the largest company on the Philippine stock exchange with a market capitalisation of 140bn pesos, Ayala Corp said that it had benefited from the country's overall economic health.

Ayala Land's B shares, which are open to foreign buyers, closed marginally down last night at 41 pesos. The company lifted net earnings 24 per cent over the first three months of 1995 while net revenues rose 24 per cent to 3.74bn pesos owing mainly to land sales, higher rental income and the completion of residential projects.

Ayala Corp's other subsidiaries advanced at a rapid pace, with profits at the Bank of the Philippine Islands rising 47 per cent to 650m pesos.

BPI, which recently doubled its authorised capital stock to 10bn pesos to meet growing competition prompted by the liberalisation of the banking sector, said that high net interest income and higher loan volumes were behind its good results.

Pure Foods, the group's main consumer arm, and Ayala Life, its insurance subsidiary, posted similar gains although no figures were released.

"What is astounding about these results is that Ayala Corp is actually growing faster than Ayala Land when – given the economic conditions – it should be the other way around," said Mr Joey Salceda, chief researcher at SBC Warburg in Manila. "Ayala Land is in the middle of a property boom while Ayala Corp is on paper an unwieldy collection of diverse companies."

Analysts pointed out that Ayala Corp's B shares, which closed yesterday at 37 pesos, are cheaper than Ayala Land's. They said the group's strong results were a testament to financial management expertise. With a free-float of only 16 per cent, Ayala Corp was in a position to raise capital cheaply at any time, they said. "Ayala Corp has been able to invest heavily in the expanding industries at a very low cost," said Mr Salceda.

Mitsubishi's 20 per cent share in the group was an added strategic advantage said brokers.

Barry Riley

The last haven of lower interest rates

Forget those elementary textbooks which suggest that money gravitates to where it can earn the highest interest rate. In the dynamic global markets, capital moves to where interest rates seem to be falling fastest, generating the highest total returns. Right now that means Europe.

The US has already this year suffered an economic growth scare which has knocked bonds heavily and caused the money markets to discount a half-percentage point rise in short-term interest rates by the time of the presidential election. The worries have almost, but not yet quite, halted the bull market on Wall Street. Historically, the phase of the cycle in which equities ignore bond weakness can easily run for nine months. So far it has lasted for about four.

Now new growth worries have hit Japan, driving up bond yields, which have climbed some 55 basis points this year at the 10-year maturity. The latest fears have undone the elaborate official attempts to stabilise the dollar at 107 yen. So the yen/dollar rate has suddenly tumbled to about 104, frightening anew those Japanese investment institutions which were thinking of venturing again into overseas markets.

The risks appear rather less in Europe where the Bundesbank has signalled – but not yet implemented through the repo rate – a cut in short-term interest rates. Thus encouraged, the bond funds have been pursuing one of their regular core/periphery plays.

These short-term risk cycles in the currency and bond markets have been closely analysed by Avinash Persaud, London-based currency economist for J.P. Morgan. He points out that markets rarely price currencies according to theoretical fair values. Instead they swing rapidly, over erratic periods of perhaps three to six months, between risk-seeking and risk-avoiding modes.

This year so far has provided some encouragement for the risk-seekers, with global liquidity very high. The biggest play has involved going long of the "risky" dollar against the "hard" D-Mark, worth 6 per cent plus a useful interest pick-up so far in 1996. The picture has been more consistent in currencies than in bonds, where weakness in US Treasuries might have been expected to result in risk-aversion, but in Europe this has not been so.

> **Markets swing rapidly between risk-seeking and risk-avoiding modes**

Thus we have seen a very pronounced narrowing of the spreads of the outlying bond markets. The particular twist here is provided by the growing confidence that European monetary union will go ahead, essentially on the 1999 timetable.

Economists continue to boggle at the implications, the latest doubters being the six leading German economic institutes which protested on Monday this week that the politicians must come clean about their implied decision to ignore or brutally bend the Maastricht criteria. The markets, meanwhile, simply assume that a political deal will be done. Any mayhem *after* 1999 will represent another opportunity for profit.

At any rate, the outlying currencies have strengthened against a soft D-Mark, and the big risks perceived in Italian and Swedish bonds a year ago have greatly declined in investors' eyes. UK gilts have been big losers in this process, however, and are now in danger of becoming the highest-yielding in the EU.

Yield crossover compared with Irish government bonds was reached decisively at the turn of the year, and whereas Swedish bonds yielded 300 basis points more than gilts a year ago the gap has now almost disappeared. Spanish government bonds yield only just over 100 basis points more. The markets are worried that the UK government is much more interested in opt-outs than in commitments. Meanwhile the UK's good economic fundamentals are being dissipated.

But it is quite likely that these short-term swings will soon go into reverse as traders head in another, risk-averse, direction. That would be bad for peripheral bonds, but might leave gilts better-placed.

The British problem might then revolve around sterling, which so far has risen on the dollar's coat-tails. Any weakness in sterling would certainly kill off the talk that the UK government will turn to interest rate reductions instead of the political tax cuts which are disappearing over the horizon.

Hoechst reports slow start but sees improvement

By Wolfgang Münchau in Frankfurt

Hoechst, the German pharmaceuticals and chemicals group, yesterday forecast an improvement in business during the remaining three quarters of the year, after a slow start.

First-quarter sales were DM13bn ($8.5bn), unchanged from the same period in 1995, with pre-tax profits up 27 per cent to DM1.2bn. The strong rise in profits was largely the result of exceptional items, including share sales and the sale of divisions. Hoechst's operating profit remained unchanged from the first quarter last year.

The figures prompted a strong market reaction, and the shares fell by DM11.40, or 2.2 per cent, to DM515.60. They had risen sharply earlier this year, when Hoechst reported robust 1995 results.

Mr Jürgen Dormann, chairman, said the industry's consolidation was certain to continue. The recent merger between Sandoz and Ciba of Switzerland demonstrated "how one could achieve an improved technology and market position, and at the same time create a sustainable increase in shareholder value, as long as the right partners come together," he said.

Speaking at the company's annual shareholders' meeting, Mr Dormann said Hoechst had spent DM17bn on investments during 1995, including DM3.5bn on research and development, DM3.4bn on plant and machinery, and DM10.5bn on acquisitions. Of that, DM9.9bn was spent on the acquisition of Marion, the US pharmaceuticals group. Mr Dormann said Hoechst Marion Roussel was on a "good path" and the acquisition would contribute positively to 1996 profits.

During the first quarter this year, Hoechst AG, the parent group, recorded a 19 per cent fall in sales to DM3.1bn compared with the same period in 1995.

Outsourcing and share sales alone accounted for 10 percentage points of the decline. A further 3 percentage points derived from lower sales volumes and another 6 percentage points from price falls.

However, despite the fall in turnover, Hoechst AG's pre-tax profits increased by 18 per cent to DM483m. The company said the increase was due to "special factors" and that the level of operating profits had declined.

The Hoechst group suffered a 10 per cent fall in European sales, while North American sales went up by 25 per cent, largely because of Marion. Asian sales rose 3 per cent despite the D-Mark's strength against the yen.

Clearly hoping to present an upbeat message about Hoechst's commitment to Germany, Mr Dormann told shareholders that "we do not take part in the widespread gloom that has taken hold around us". But he also said that staff cuts were necessary for Hoechst to stay competitive.

Vereinsbank ahead in first quarter

Bayerische Vereinsbank, the German bank, said first quarter operating profit before risk provisions climbed 13.4 per cent from DM456m to DM517.7m ($340m), AFX News reports from Munich.

Net interest income rose 11.4 per cent from DM1.025bn to DM1.142bn, with the bulk of the rise due to the expansion of the bank's mortgage business, Vereinsbank said. Net commission and fee income grew from DM257.9m to DM299.6m, a 16.1 per cent increase.

Constantly volatile own account trading income fell 52.9 per cent from DM105.8m to DM49.9m, the bank said. Operating costs in the quarter increased by 5.1 per cent from DM937.9m to DM985.5m, with personnel expenses up 3.1 per cent and spending on fixed assets up 8.5 per cent at DM378.1m due to unbroken investment in modern technology and the expansion of profitable business, the bank said.

Analysts said they expected the bank to take steps to control costs.

Vereinsbank attributed the rise in commission and fee income to the weakness of the year-earlier quarter and favourable developments in securities markets.

It said it had agreed mortgage loans amounting to more than DM13bn, up some 90 per cent from a year earlier, while the volume of new mortgage business more than doubled to DM8.1bn. Two-thirds of new mortgage business was accounted for by home loans, the bank said.

Analysts said the surge in demand for mortgage loans was driven by the current low interest rate climate.

Mr Dieter Hein, analyst at BHF-Bank, said: "People are clearly trying to take advantage of low interest rates, but it remains to be seen if that trend will continue."

He added that the current slump in the construction industry and the pressure on household income had already damped consumer spending in other areas. The bank's 53 per cent decline in trading income was the only negative factor in figures, which were otherwise broadly in line with expectations, analysts said.

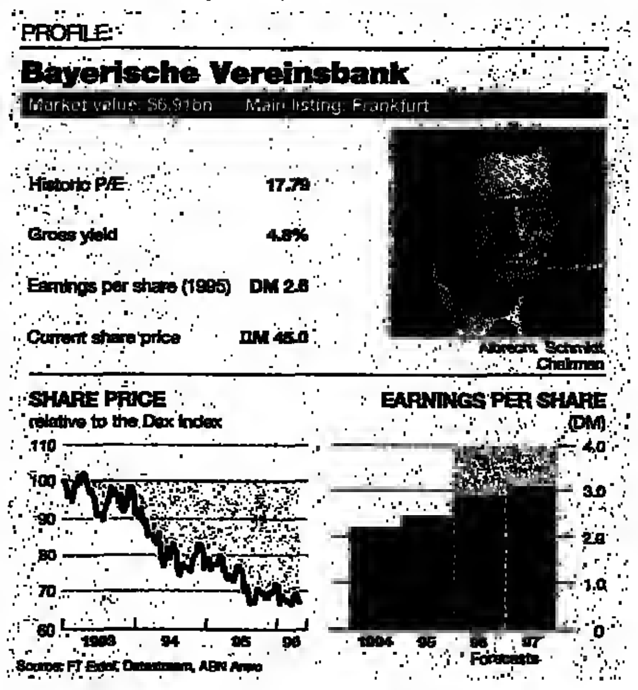
After the rally in the stock and bond markets in January and February, interest rate developments in March probably took the bank by surprise and probably caught out other banks as well, they said.

"Banks were positioning themselves on yield curve forecasts, which changed suddenly in March," said Mr Matthew Czepliewicz, bank analyst at Salomon Brothers in London.

The expectation was for interest rates at the long end to rise more than they did. "I am sure they are not alone in suffering a setback," he said.

Like its Munich-based rival Bayerische Hypotheken-und Wechselbank, Vereinsbank's trading activities remain traditionally a secondary component of earnings, although the bank has said it would like to expand its operations, analysts said.

"This shows the risks banks can run into when they become more active in the trading area," Mr Czepliewicz said. "It's not a major line item at the moment, and hopefully, they'll learn from it."



Mediaset agrees to join BT Italian telecoms venture

By Alan Cane in London and Robert Graham in Rome

The Italian corner of British Telecommunications' European strategy moved closer to completion yesterday when Mediaset, the media arm of Mr Silvio Berlusconi's Fininvest group, said it had agreed in principle to join Albacom, BT's joint telecommunications venture with Banca Nazionale del Lavoro.

Mediaset will pay L50bn ($32.2m) for a 20 per cent stake and will merge its telecoms activities with Albacom. BT and BNL will each retain 35 per cent stakes in the venture, although further partners remain possible, including ENI, the Italian state-controlled oil and gas company. BT is to retain management control of Albacom.

To consolidate the deal, which had been widely expected, BT and BNL will spend L170bn on a 2.4 per cent stake in Mediaset.

BT now has strategic alliances in all the main European countries, with the exception of France. Mr Alfred Mockett, BT's managing director for global communications, said the company was in discussions with a number of potential French partners but added that it was unlikely announcements would be made before the future regulatory and commercial structure of the French market became clear.

The Albacom deal marks an important diversification by Fininvest into the fast-expanding world of telecommunications. It is also a warning shot to Stet, the state-controlled telecoms group, that its privileged monopoly position will face increasing challenges as the market liberalises over the next two years.

Two years ago, Fininvest was part of an international consortium that failed to win the licence to operate Italy's second GSM mobile phone network. By teaming up with BT, the group is hoping to be a strong front-runner for the award of the third GSM licence, due within the next two years.

Mr Ubaldo Livolsi, chief executive of Fininvest, said yesterday that BT's discussions with ENI could also lead to the latter becoming a partner in the bid for the next mobile phone licence.

For Mr Berlusconi, the presence of a prestigious international partner such as BT is expected to provide an important boost towards the flotation of up to one-third of Mediaset's shares this summer. Fininvest retains 69 per cent of the media company, whose principal assets are three commercial channels, a stake in a pay-TV channel and the consequent advertising revenue.

The Treasury-controlled BNL was the sixth Italian bank to invest in Mediaset, but the Albacom stake was the first based on industrial logic as opposed to simple financial investment.

Crédit Agricole considers foreign fields more fertile

The profitable mutual is a good fit with Indosuez, says Andrew Jack

Viewed from abroad, the almost certain takeover of Banque Indosuez, the highly international banking arm of the Suez group, by the almost exclusively domestically-oriented French Crédit Agricole seems perplexing.

Crédit Agricole does not have a high profile outside the country, partly because it is not quoted, and is instead a "mutual" bank, with no outside shareholders. Employees hold 10 per cent of the shares, with the rest held by the network of regional banks which make up the co-operative structure.

Yet for those within France, the idea of the bank's proposal to take a majority stake in Indosuez seems rather less bizarre. Despite its name, and the fact that it is still often dubbed "the green bank", Crédit Agricole has long ceased to concentrate lending primarily on its agricultural antecedents.

The bank's network remains firmly planted in rural areas of France, and it controls about an 80 per cent domestic market share of business to farmers. However, they now represent less than 5 per cent of its customers and 15 per cent of outstanding loans. Mortgages and loans to small business and local authorities make up an increasing proportion.

Analysts argue that Crédit Agricole's mutualist tradition has been reflected in relatively conservative lending policies – an approach symbolised in its advertising campaigns, which stress "bon sens" or common sense. Certainly, it has been less exposed to some of the excesses suffered by its banking rivals, which have indulged heavily in property lending in past years and are now being forced to take substantial provisions to compensate.

In a critique which may well accelerate in the coming weeks, its competitors respond that it was long protected by the state, which granted it exclusive privileges, including the continued near-monopoly on money handled by French notaries. They add that it still has preferential tax and labour relations advantages not available to them, and no demand to provide shareholders with significant returns.

Whatever the reason, Crédit Agricole has continued to grow steadily, reporting net income in 1995 of FFr6.7bn ($1.3bn) and – ironically – a return on its equity substantially above those of its rivals, albeit less than many for banks outside France. It also has substantial reserves from previous profits.

This has given the bank another advantage available to few of its rivals: the money to make acquisitions. Few French institutions have the resources to launch bids on the stock market. An initial bid for 51 per cent of Indosuez may cost it about FFr7bn, producing barely a dent in its resources.

Standard & Poor's, the rating agency, says it plans no downgrading of Crédit Agricole as a result of the deal. The bank already enjoys one of the highest ratings of any in the country, at AA.

But why is it interested in taking over Indosuez, which has a reputation in completely different areas including strong market operations and historical connections in the Middle East and Asia?

One reason is that the French market is both saturated and intensely competitive. If Crédit Agricole wants to continue to grow, it has to look beyond national boundaries. Last year, international business represented about FFr1bn of its income, or only 1.5 per cent of the total.

Crédit Agricole has already shown signs of diversification. It opened its first foreign representative office in Chicago in 1978. Since then, it has expanded steadily abroad, often through prudent alliance, rather than by over-extending itself through acquisitions.

In many ways, Indosuez provides an elegant fit. Although Crédit Agricole already has two brokerage firms, some analysts suggested yesterday that Cheuvreux de Virieux, Indosuez's much larger counterpart, was too attractive to be sold.

For Indosuez, the takeover also has the attraction of giving it a parent with substantial resources to allow it to expand in the future, after long-standing concerns that its current owner did not have sufficient money to do so. Its credit rating by the leading agencies was updated on Monday in response to the takeover news.

Mr Gérard Mestrallet, chairman of Suez, said yesterday that a downgrading by the credit agencies of his group last December made the financing costs of its on-going restructuring problem very difficult and left him with little choice but to sell Indosuez.

Nevertheless, digesting Indosuez could provide Crédit Agricole with a substantial challenge. Less than two years ago, Mr Lucien Douroux, chairman, told the FT that too many banks had made the error of expanding too quickly abroad. "Our main strength is domestic. We will continue to develop our international network, but not too fast." His latest initiative marks a very important change of pace.


Lucien Douroux: his initiative marks important change of pace

NEWS DIGEST

Schering upbeat as sales improve 5%

Schering, the German pharmaceuticals company, announced a 5 per cent rise in first-quarter sales and said it expected group sales in 1996 to grow 9 per cent. It also forecast an increase in operating profits in 1996, but said it would give more detailed figures later this next month.

The company said first-quarter turnover growth was actually higher at nearly 7 per cent when adjusted for currency effects. The strong appreciation of the D-mark in 1995 cost Schering an estimated DM400m ($263m) in sales, the company said.

Mr Giuseppe Vita, chairman, told a meeting of shareholders in Berlin that Schering expected an acceleration in turnover growth later this year as a result of an increase in the sales of its multiple sclerosis drug Betaferon in Europe. The drug, which was launched 2¼ years ago in the US, where it is sold under the brand name Betaseron, is Schering's second-biggest selling product, Mr Vita said.

Frederick Stüdemann, Berlin

Takeover lifts Portuguese bank

Banco Comercial Portugues, Portugal's second-biggest financial group, yesterday reported a 5.5 per cent increase in net consolidated profit for the first quarter to Es6.04bn ($38.8m) from Es5.73bn in the first three months of 1995. The results are not directly comparable because of BCP's consolidation of Banco Portugues do Atlantico from April 1995 after a Es308bn takeover that created Portugal's largest private-sector banking group.

Earnings per share rose from Es52.2 to Es55.1. Mr Jorge Jardim Gonçalves, BCP president, said the bank took advantage of a buoyant bond market to make substantial sales of fixed-interest securities in the first quarter that reduced the need for funding on the money market.

Despite a climate of slower economic growth, stagnant credit demand and falling interest rates, BCP increased its net financial margin from 2.9 per cent in 1995 as a whole to 3 per cent in the first three months of 1996, mainly through the cross-selling of financial products, he said.

Reflecting the acquisition of BPA, total assets climbed from Es2,515bn in the first quarter of 1995 to Es5,101bn. Total deposits rose from Es1,988bn to Es4,063bn. Credit to customers increased from Es945bn to Es2,003bn. *Peter Wise, Lisbon*

Finns to cut Valmet stake

The Finnish government said it would cut its stake in Valmet, the paper machinery manufacturer, from 58.6 per cent to about 20 per cent through an offering of more than 22m shares. The offering would be to international and domestic investors and Valmet employees. Valmet said the offer is conditional on the redemption and cancellation by Valmet of 8.6m of its own shares worth FM500m ($104m), and retail investors taking up the maximum number of bonus shares on offer in their tranche of the sale. The offering is expected to be priced at the end of May. *AFX News, Helsinki*

Borealis slides to FM65m

Borealis, the 50:50 joint venture between Neste of Finland and Statoil of Norway, said its first quarter pre-tax profit was FM65m ($13.5m), down from FM938m a year earlier. Sales fell from FM3.331bn to FM3.113bn and operating profit dropped from Fm1.080bn to FM44m. Borealis said first quarter results represent an improvement on the last three months of 1995, when the pre-tax loss was FM288m. The company attributed the improvement to a pick-up in prices, improving margins, increasing output and lower fixed costs. *AFX News, Helsinki*

Adidas starts year strongly

Adidas, the German sportswear group, said pre-tax profit in the first quarter climbed 74 per cent from DM98m to DM171m ($112.4m). Net profits climbed 58.8 per cent from DM80m to DM127m, while operating profit rose 60.8 per cent from DM97m to DM156m. Earnings per share rose from DM1.76 to DM2.8. Sales in the period climbed 19.9 per cent from DM998m to DM1.197bn. Adidas said its gross profit before depreciation, distribution and administrative costs, climbed 27.9 per cent from DM387m to DM495m, representing 41.3 per cent of net sales, up from 38.8 per cent in the first quarter of 1995.

Mr Robert Louis-Dreyfus, chairman, said: "first-quarter results are in line with expectations ... They prove we are on course to reach our aim."

Adidas said the second quarter would see weaker sales and earnings because of seasonal factors and high advertising and promotion costs. *AFX News, Herzogenaurach*

Ares-Serono drug approvable

Ares-Serono, the Geneva-based biotechnology group, said its US subsidiary, Serono Laboratories, had received an approvable letter from the US Food and Drug Administration for its Saizen drug, which treats children with growth hormone deficiencies. *AFX News, Geneva*

Continental records 36% rise

Continental, the German tyre company, said group pre-tax profits rose 36 per cent from DM55m to DM75m ($49.3m) in the three months to March. Group net profits more than doubled from DM70.8m to DM155.2m. The parent company posted a net profit of DM56.6m in 1995, up from DM47.3m a year earlier. *AFX News, Hannover*

Santander buys dairy stake

Spain's Banco Santander said its merchant banking arm paid Pta1.4bn ($11.1m) to Westdeutsche Landesbank to take over the German bank's stake in a stock market-listed dairy company, Puleva, which recently emerged from receivership.

WestLB had been seeking a buyer for its 20.6 per cent stake, one of a series of Spanish shareholdings previously owned by financier Mr Manuel Rein. The German bank found in 1994 that Mr Rein had obtained what it said were unauthorised loans. Legal proceedings are under way against Mr Rein, who was the largest shareholder in Puleva. The dairy company, based in Andalucia, went into receivership earlier in 1994 with liabilities of Pta25.7bn. The suspension of payments measure was lifted in March this year after an agreement with creditors providing for repayment of Pta15.8bn worth of debt. Puleva showed a Pta590m net profit for the first quarter against a Pta10m loss in the same period last year. *David White, Madrid*

Snia 'in line with budget'

Snia, the Italian fibres group, said its sales in the three months to March rose to L781bn ($500m) from L763bn a year earlier. Mr Umberto Rosa, managing director, said first quarter results were positive and in line with the budget. *AFX News, Milan*

Telecom Italia Mobile advances

Telecom Italia Mobile said its first quarter operating profit rose 60 per cent from a year earlier while sales rose 44 per cent, without elaborating. Mr Vito Gamberale, managing director, said sales were 10 per cent higher than forecast in the 1996 budget. Its gross operating margin was 50 per cent higher than a year earlier and 15 per cent higher than budgeted. *AFX News, Turin*

COMPANIES AND FINANCE: THE AMERICAS

Snack foods unit growth eases despite success of baked potato crisps

PepsiCo earnings advance 23%

By Richard Tomkins in New York

PepsiCo's restaurant business showed further improvement in the first quarter to help the US soft drink and snacks group record a 23 per cent increase in net profits to $394m. However, underlying profits rose less quickly.

Operating profits rose by just 12 per cent to $706m and, excluding net gains from the sale of some restaurants to franchisees, operating profits would have risen by only 10 per cent.

However Mr Roger Enrico, new PepsiCo chief executive, said the quarter had given the company a good start towards achieving its target of mid-teens earnings growth this year, and the shares rose $2 to $63¾ in early trading.

PepsiCo's soft drinks division increased operating profits by 21 per cent to $256m, with most of the profits – $241m – coming from the US. PepsiCo said the increase was driven by price increases and higher volumes.

Even so, the division's volume increases fell short of those reported by Coca-Cola earlier this month. PepsiCo's US and world-wide volumes were both ahead by 4 per cent, while Coca-Cola increased North American volume by 8 per cent and world-wide volume by 7 per cent.

At the beginning of last month PepsiCo launched Project Blue, a plan to boost sales of the drink outside North America by changing the colour of the can from red, white and blue to predominantly blue.

The snack foods division, recently the main driver of profits growth for the company, eased a little in the latest quarter.

Operating profits rose by 6 per cent to $320m, with most of the increase coming from the US.

A big factor in the division's US performance was the highly successful launch of Baked Lay's potato crisps, which are lower in fat than ordinary potato crisps because they are baked instead of fried. International profits continued to be hit by the devaluation of the Mexican peso.

The restaurant division, which has recently gone through a shake-up after a period of stagnation, saw a 26 per cent surge in operating profits to $179m, but the increase would have been 17 per cent without the gains on sales to franchisees.

As with the other divisions, most of the increase came from the US, despite the severe winter weather.

Positive factors included the closure or franchising of underperforming restaurants and an easing back on special offers and similar promotional activity.

Internationally, the restaurant division suffered lower margins because of higher costs, but PepsiCo said international restaurants should nevertheless achieve double-digit earnings growth this year.

Group revenues rose by 6 per cent to $6.6bn and earnings per share were 23 per cent ahead at 49 cents.

Lex, Page 14

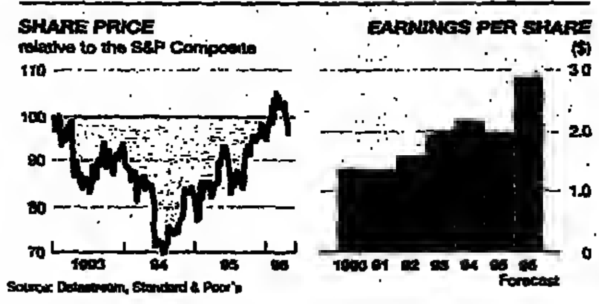
PROFILE:

PepsiCo

Market value: $47.2bn   Main listing: New York

Historic P/E	29.94
Gross yield	1.34%
Earnings per share (1995)	$2.00
Current share price	$59.87

Wayne Calloway
Chairman



Source: Datastream, Standard & Poor's

Lehman bid defence comes down

By Nicholas Denton

A "poison pill" which deters a takeover of Lehman Brothers dissolves today, but the US investment bank indicated it was not entertaining approaches from the European banks known to be expanding in North America.

When Lehman was spun off from American Express in 1994 after a troubled existence as part of a larger financial group, it sought to preserve its new independence by increasing the cost of a takeover to a bidder.

Under the terms of the flotation prospectus, the acquisition of more than 30 per cent of Lehman triggers corporate defences with, the investment bank said, an "anti-takeover effect".

A takeover before May 1996 would have resulted in the payment of $350m to American Express, Lehman's former parent, and Nippon Life, the Japanese insurer which holds 11.5 per cent. From today, this takeover penalty falls to $300m.

Moreover, until last month Nippon Life had a put option giving the right to sell the preferred stock it owns for $508m in the event of a takeover. That option, which would have further increased the cost of a bid, has now expired.

In theory, the change facilitates any bid by one of the European banks, such as SBC Warburg and Deutsche Morgan Grenfell, which have global ambitions and are seeking to expand their US investment banking operations.

But Lehman Brothers yesterday dismissed the possibility of a deal. "Lehman Brothers is independent and has been very successful being independent, and has no intention of being anything but independent in the future," said Mr Bruce Lakefield, chairman of the European operation.

The lowering of takeover defences has been more than offset by the increase in Lehman's share price from a low of $14 in 1995 to $26 presently. The company has an equity value of $3.7bn and would cost about $6bn to acquire.

An acquirer would also have to earmark expenditure on guaranteed bonuses over several years, in order to ensure that important personnel did not leave the company once they had cashed in their share options and year's remuneration.

GM optimistic about domestic sales

By Haig Simonian, Motor Industry Correspondent

General Motors, the world's largest vehicle maker, has become more optimistic about buoyant sales in its domestic market continuing into 1997, following strong registrations so far this year.

Mr Michael Losh, chief financial officer, said the group was "feeling better about the market", and that there was a view that "the market in 1997 can grow as well".

Sales of cars and trucks in the US are forecast to reach 15.3m units this year, compared with 15.1m in 1995.

Mr Losh warned against over-optimism based on the strong sales trend in the first quarter of this year, which would point to total registrations of 15.8m units in 1996 on an annualised basis. But although declining to make a forecast for 1997, he said: "The conditions are right for the market to continue growing."

In spite of the buoyant market, Mr Losh said it was unlikely that GM would be able to regain the ground it lost earlier this year because of a 17-day strike at a components plant in Dayton, Ohio. The stoppage paralysed production at most of GM's operations.

Although Mr Losh refused to forecast by how much GM's profits might fall short of the record $6.9bn achieved last year, he said: "We expect to be back on the track of improving profitability during 1996."

The strike came as a shock to GM's profitability, but analysts had already expressed concern about the possible impact of the large number of model launches planned for 1996. Vehicle introductions have often proved costly because of production cuts during change-over periods and the need to discount prices of old models.

Mr Losh said all the group's launches were proceeding according to plan. The reception for the first of this year's new models – a full-sized minivan built at the Wentzville plant – had gone well, with sales starting shortly.

He added that sales of the Pontiac Grand Prix – the first of GM's new mid-sized saloons – were on track and the public reception of GM's range of front-wheel drive minivans, previewed at last month's New York motor show, had also been encouraging.

La Moderna makes Dutch purchase

By Daniel Dombey in Mexico City

Empresas La Moderna, a growing Mexican conglomerate, said yesterday it had agreed to buy a controlling stake in Royal Van Namen, a Dutch fresh produce exporter, which has sales of $50m a year. Terms were not disclosed.

"This acquisition will let us expand from North American to European markets," said Mr Enrique Osorio, vice-president of treasury.

Originally purely a cigarette company, La Moderna has grown rapidly in the past eighteen months, acquiring agricultural, seed and packaging interests.

Mr Scott Wilkins, an analyst at ING Barings in Mexico City, said: "Royal Van Namen should have good synergies with La Moderna's seed and fresh produce operations. But I would be concerned if the acquisition were any bigger since La Moderna needs to consolidate now."

The company has only recently finished rescheduling short-term debts taken on to finance its acquisitions.

For the first quarter, La Moderna marked up sales of 2.9bn pesos ($389m), a 28 per cent increase on the same period in 1995, with most of the improvement coming from new acquisitions.

Operating profits were down 19.2 per cent at 309m pesos, which the company blamed on the effect of the weak Mexican economy on its cigarette business.

Helped by the peso's recent strength, net profits rose to 536m pesos for the quarter, compared with a loss of 242m pesos in 1995.

- Femsa, Mexico's largest drinks company, has reported a drop in first-quarter sales and operating profits, a fall the company blamed on price pressure caused by recession.

The company operates the country's second biggest brewer and its principal Coca-Cola franchise, but despite maintaining market share in both divisions it failed to maintain prices in line with inflation.

Femsa registered first quarter sales of 3.9bn pesos, down 11 per cent from the same period a year ago. Operating profits fell 28 per cent to 227m pesos, although the strong peso helped net profits strengthen to 476m pesos, compared with a loss of 801m pesos a year before.

- Gruma, the parent company for Grupo Industrial Maseca, a leading Mexican food company, is in talks with Archer-Daniels Midland, the Chicago-based agricultural commodities group, and other foreign companies, to sell a stake believed to be valued at $200m, the company said this week. It is also planning an equity offering later this year.

Insurance director quits over transaction row

By Richard Waters in New York

Mr John Head, a US insurance investor, said yesterday that he had resigned as a director of Sphere Drake, a Bermuda-based concern active in the London insurance markets, over the company's refusal to investigate his concerns about what he described as "unreported and unauthorised" transactions.

Sphere Drake, for its part, said that Mr Head's resignation had followed a boardroom dispute over how much influence he should have over the company, although it acknowledged the existence of the transactions.

Mr Head's resignation, at a board meeting on Sunday, comes during a management shake-up at the insurance concern.

The US investor, who was one of the people behind the buy-out of Sphere Drake from its US parent, Alexander & Alexander, in the late 1980s, said that he had concerns about the company's recent financial performance, but expressed support for the new management.

Mr Head, who had been chairman of the company's audit committee, said he had resigned because the board had refused his request to investigate guarantees given on the leases on two London properties.

Sphere Drake was taken public on the New York Stock Exchange in 1993. Mr Head still owns 6.9 per cent of the company's stock.

NEWS DIGEST

New World unit up 51% after spin-off

New World Infrastructure (NWI), the unit spun off from New World Development of Hong Kong last October, yesterday announced a 51 per cent rise in net profits from HK$227.25m (US$29m) the previous year to HK$344.18m in calendar 1995. However, there is to be no dividend payout. The accounts assume the company had been the holding company of its subsidiaries throughout the past two years, and make adjustments for expenses. Turnover more than doubled, from HK$130.66m to HK$264.95m.

New World Development, the property, infrastructure, hotels and telecommunications group, raised HK$1.8bn through the spin-off. Mainland projects in NWI include cargo handling, power, roads and bridges. Some 40 per cent of profits are contributed by Hong Kong, and 39 per cent from Guangdong, the Chinese province across the border. The remaining 21 per cent come from Wuhan, a province with which New World has fostered a strong alliance.

Earnings per share improved 42.5 per cent from 40 cents in 1994 to 57 cents last year. The group has signed preliminary agreements relating to a ring road and, separately, three bridges in Guangzhou. *Louise Lucas, Hong Kong*

Income rises at Citra Marga

Citra Marga Nusaphala Persada, the Indonesian toll road company which is controlled by President Suharto's eldest daughter, said its net income last year rose by more than 60 per cent, reflecting a drop in interest charges.

Citra Marga said net income in 1995 totalled Rp94.59bn ($40.6m) compared with Rp58.11bn a year earlier. Bank loans dropped to nil from Rp247.42bn in 1994 as the company issued notes, valued at US$175m, with more competitive interest rates. "They are now paying about half the interest they were paying on their old debt," one analyst said.

The company said its harbour toll road construction is scheduled to be completed in mid-1996, five months ahead of schedule. Its completion is expected to lift Citra Marga's earnings growth further, because it will connect all the toll roads which form Jakarta's inner ring road.

Analysts predict earnings will be lifted next year by the 25 per cent increase in toll road fares introduced last October, and by growth in traffic of about 12 per cent. Citra Marga is looking for a further increase in toll road rates this year, but the government has unofficially made clear that increases will be introduced every two years. *Manuela Saragosa, Jakarta*

Newcrest 'positive' about merger

Mr John Quinn, managing director of Newcrest Mining in Australia, said yesterday that he was "very positive" about the potential outcome of new merger talks between his mining group and Mr Robert Champion de Crespigny's larger Normandy Mining. "There is a dialogue between the companies and I remain very positive about the outcome," he told a business lunch in Melbourne.

Newcrest recently acquired stakes in Normandy and its 51 per cent owned gold mining offshoot, PosGold, and indicated that it would like to be included in the four-way merger which Normandy was planning with PosGold and two other, partially-owned mining groups. When Normandy baulked at Newcrest's terms, Newcrest used its holdings to vote down the Normandy plan. Contact between the groups is said to have been re-established in early April, and they have held discussions over the past week. *Nikki Tait, Sydney*

Woodside set to seek licence

Woodside Petroleum, the Western Australian energy group and operator of the North-West Shelf project, said yesterday that it expected to submit a production licence application for the Laminaria/Corallina oilfields in the Timor Sea next month, and to move them into production by early 1999.

The initial average annual production rate is estimated to be around 120,000 b/d. "The development of Laminaria will provide a second revenue stream in addition to the North West Shelf. This is of particular importance to shareholders," Mr Bill Rogers, Woodside chairman, said. Mr Rogers also confirmed the discovery of an oilfield close to the Lambert field off north-west Australia, and said that development plans were likely to be considered. Development costs for the two fields were put at around A$200m (US$157m). *Nikki Tait*

Pilipinas Shell lifts income

Pilipinas Shell Petroleum, the Philippines unit of Royal Dutch Shell, said net income increased to 1.69bn pesos ($64m) last year from 590m pesos in the previous year. "The new refinery in Batangas contributed significantly to improved business performance in 1995," said Mr Reinier Willems, chief executive. *Reuter, Manila*

Colonial Mutual to demutualise this year

By Nikki Tait in Sydney

Colonial Mutual, the Australian life assurer which owns the State Bank of New South Wales and has significant operations in the UK and New Zealand, announced yesterday that it planned to demutualise later this year.

The Colonial timetable, outlined yesterday, is slightly ahead of its previously suggested schedule. In late 1993, the group said it would demutualise over the coming five years and, following the purchase of State Bank, became bound to do so before the end of 1998. However, it was thought that demutualisation would occur in 1997 at the earliest.

At Colonial's annual meeting in Melbourne yesterday, Mr David Adam, chairman, said that if all went to plan the next agm would be a meeting of shareholders. He said that the group's 750,000 member-policyholders would receive documentation later this week outlining the scheme.

This would be followed by an information memorandum. Policyholders would then ba asked to vote on the demutualisation proposals at an extraordinary general meeting in November.

Assuming the required 75 per cent was in favour, the scheme would proceed and the company would move to a stockmarket listing, probably in 1997.

Because of its sizeable UK business, a different procedure would be necessary in the UK, witb local court approval sought before the egm. However, UK policyholders – who account for almost half of the total – will vote with Australasian and Fijian members in November.

Demutualisation, in which a mutual insurer becomes a shareholder-owned company, has become increasingly common among insurance companies internationally. Most policyholders receive shares in the new entity.

Colonial's move follows the announcement of a much improved A$726m (US$572m) profit after tax for 1995, after a A$261m loss in the previous year.

Cathay, Swire shares surge on shake-up

By John Ridding and Louise Lucas in Hong Kong

Shares in Cathay Pacific and its parent, Swire Pacific, surged yesterday following a reorganisation of Hong Kong's aviation sector which gives big stakes in the territory's airlines to Chinese companies.

Swire Pacific's A shares rose by more than 5 per cent to HK$66 following Monday's announcement of a reduction of its stake in Cathay Pacific, the territory's de facto flag carrier, and a HK$6bn (US$776m) capital injection in the airline by Citic Pacific, the Hong Kong arm of Beijing's flagship investment vehicle.

Cathay Pacific's shares, which have been depressed by fears of competition from mainland carriers, rose by just under 5 per cent to HK$13.50. Citic's shares, however, slipped 20 cents to HK$30.40.

Under the terms of the accords, CNAC, the commercial arm of China's aviation regulator, will take a 36 per cent stake in Dragonair, Hong Kong's second carrier, while Citic Pacific will raise its stake in Cathay from 10 per cent to 25 per cent.

The deals were seen as providing political insurance for Cathay. "It gives them a solid partner with influence in Beijing," said Mr Koo Zayong of CS First Boston.

But others questioned the stability of the alliances. "This is a half-way house," said Mr Declan Magee, analyst at HG Asia. He argued that CNAC's ambitions were unlikely to be satisfied with its stake in Dragonair, and that the mainland company would emerge as a challenger to Cathay Pacific.

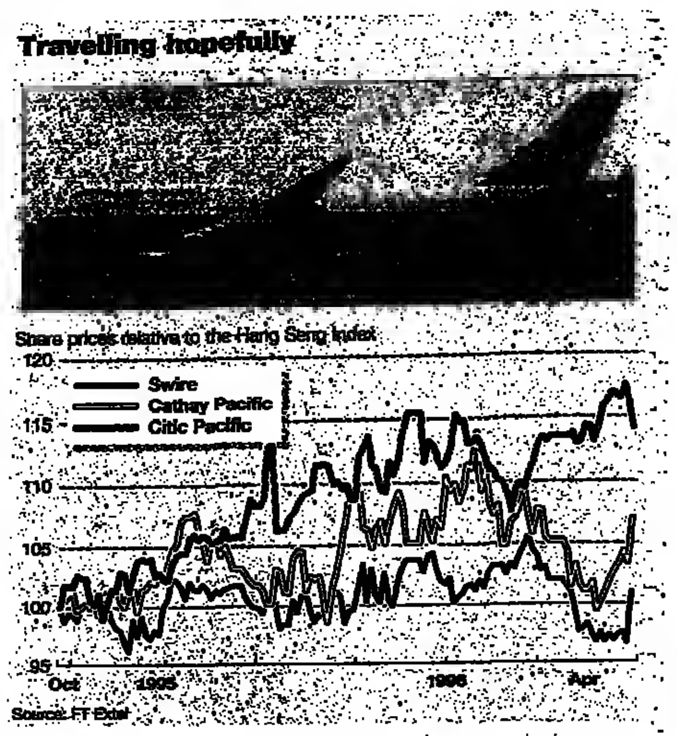
Industry executives predicted strong expansion for Dragonair following the agreements. They said thet the airline's access to the profitable Hong Kong-Taiwan route should now receive the necessary approval from Beijing.

However, the planned listing of the carrier will not be automatic, since the agreements between the companies leave a maximum of 20 per cent of the shares for the public flotation.

However, Mr Herbert Hui, deputy chief executive of the Hong Kong stock exchange, said that if a company's market capitalisation is more than HK$4bn then the exchange can consider a listing of less than 25 per cent of its shares. "We have to see how much bigger it is than HK$4bn and whether there is sufficient liquidity in the market," Mr Hui said. Analysts estimate Dragonair's value at more than HK$5bn.

Another focus of attention was how Citic planned to fund its acquisition of Cathay shares. Investment analysts suggested it may reduce some of its corporate shareholdings, which include a 10 per cent stake in Hongkong Telecom.

Travelling hopefully



Source: FT Extel

Deals offer lessons ahead of 1997

Analysts' attention has already focused on Hongkong Telecom

This week's shake-up in Hong Kong's aviation industry, giving China big stakes in Cathey Pacific and Dragonair, may catch other companies in its slipstream.

Although aviation is a special case, involving a politically sensitive industry, Monday's deals hold implications for franchise bolders and monopolies and for other large groups seeking to secure their position ahaad of tbe handover.

"The manoeuvrings in the aviation sector show the pressures to accommodate Chinese interests, particularly in strategic areas," says one investment banker. "But they also suggest that China is willing to get into bed with the big blue chips," he adds, referring to the HK$6bn (US$776m) that Citic Pacific, the Beijing-backed investment vehicle will inject into Cathay Pacific.

After the deal, attention has already focused on Hongkong Telecom, a subsidiary of Cable and Wireless of the UK and one of the main attractions in merger talks between C&W and British Telecommunications.

"There are strong parallels between Cathay Pacific and Hongkong Telecom," says Mr Adam Quinton, regional telecoms analyst at Merrill Lynch in Singapore.

Both groups have a UK parent with more than 50 per cent of the shares, a dominant market position, and ambitions on the mainland.

In Cathay's case, the deals agreed this week, and the purchase of a big stake by Citic Pacific, will dilute the stake of Swire Group, its UK parent, to below 50 per cent.

"If Hongkong Telecom can emerge with a structure like Cathay, then this would be very positive," claims Mr Quinton, referring to the importance of powerful mainland allies and the problems associated with a majority UK controlling interest in the run-up to the transfer of sovereignty.

Financial services and utilities are seen as possible candidates for mainland shareholdings. "If you look at a company like China Light & Power, which has a lot of cross-border activities, then it could be regarded as a strategic investment by Beijing," says one banker.

One hitch with such scenarios is the availability of capital. One possibility in Citic's case is that it could reduce its 10 per cent staka in Hongkong Telecom, a move which would undermine its inclusion in a China-backed shareholder base for the company.

However, there are other potential candidates, such as China's ministry of post and telecommunications. Hong Kong's new local operators, such as Hutchison Telecom, which are well connected in China, could also provide a way of taking a UK-held stake below 50 per cent.

A bigger question mark concerns the desirability of shareholding alliances with mainland partners. Swire, which has championed a strategy of selling equity stakes to Chinese interests, has received a positive response to its decision to dilute its shareholding in Cathay and issue new shares to Citic Pacific.

"In the long-term this is definitely positive for Cathay," says Mr Koo Zayong, airline analyst at CS First Boston. "The fact that they have a strong Chinese partner reduces the political concerns about 1997, which was the biggest worry for the airline."

But not everyone sees it that way. "This is not an equilibrium," says Mr Declan Magee of HK Asia. He argues that CNAC, the commercial arm of China's aviation regulator, will use the 36 per cent stake it has taken in Dragonair to develop its operations and consolidate its control. "CNAC is very ambitious. Swire was pressured to sell and can be put under pressure again."

Swire's backers point to the inevitability of pressure in such a politically sensitive sector and to the shortcomings of alternative strategies. Jardine Matheson, the other big UK-controlled Hong Kong conglomerate, incurred Beijing's ire when it tried to diversify outside the territory and shunned equity links with Chinese partners.

Because of its dependence on a regulated industry – unlike Jardine – Cathay has sought to bind potential rivals into a partnership. Its latest and boldest move could provide a pattern for future business alliances between mainland and Hong Kong business. Or it could prove the group's undoing.

John Ridding

Reduced prices hit ICI profits in Australia

By Nikki Tait

Lower plastics prices and higher interest and tax charges caused ICI Australia, controlled by the UK chemicals group but listed separately, to post a 17.2 per cent drop in profits after tax but before abnormals during its first half-year.

The company said yesterday tbat it made A$103.3m (US$81.3m) in the six months to end-March, compared with A$124.9m in the same period of 1994-95. Sales were up 5 per cent, at A$1.69bn.

At the trading level, the downturn was less marked, with profits before interest, tax and abnormals down 5.4 per cent to A$182.3m. ICI said this was largely due to the weakness in plastics prices and some volume reductions, stemming mainly from tha downturn in the housing industry.

Below the line, there was a A$17.3m abnormal charge, covering severance pay as the company cut staff at its Botany plant in Sydney by about 200 (out of a total of 1,100). A further 40 jobs are going in the reorganisation of its ICI Dulux paint manufacturing operations, and ICI warned that it was likely to incur a further A$10m-A$15m abnormal charge in the current half.

This left a bottom-line profit of A$92.6m, against A$124.9m last time.

● ICI Australia also announced it was making its first acquisition in Malaysia. The company is a small plastic film extrusion business called Horitech, selling to the baby nappy and feminine bygiene markets.

Way clear for Optus float as new head is found

By Nikki Tait

Optus Communications, Australia's second telecommunications group, cleared the last big obstacle to its proposed flotation yesterday when it announced the appointment of a new chief executive.

He is Mr Zygmunt (Ziggy) Switkowski, the 47-year-old chairman and managing director of Eastman Kodak's Australasian operations. Mr Switkowski, a well-known figure in Melbourne business circles, will join Optus before the end of this month.

Optus's smooth path towards a stock market float was disrupted when its former chief executive, Mr Bob Mansfield, was head-hunted last year to run John Fairfax, the country's leading newspaper group. Since then, Optus has been conducting an executive search, both inside and outside Australia.

Mr Switkowski has a degree from Melbourne University, as well as a doctorate in nuclear physics. He joined Kodak as a research scientist in 1978 then switched to a marketing role.

Between 1985 and 1988, he was director of business planning for Eastman Kodak in New York, returning to Australia as deputy managing director of the Australasian operation. He was made chief executive in 1992.

Optus, formed four years ago, had already made clear that it planned to float at some stage in 1996, but no details of the number of shares or pricing have been given.

It is thought that if Optus could find a suitable "local" candidate for the chief executive's post, the flotation could probably be achieved more quickly than if an overseas-based executive was chosen.

Optus is currently owned by a mixture of Australian institutions and international corporate investors – including the UK's Cable and Wireless, with 24.5 per cent, BellSouth of the US, with 24.5 per cent, and Australia's Mayne Nickless with 25 per cent.

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COMPANIES AND FINANCE: UK

Brown leaves British Gas after 40 years

By Richard Wolffe

More than 40 years after starting his career as a laboratory assistant in a Rotherham gas works, Mr Cedric Brown bowed out of British Gas yesterday on a very personal note.

Speaking after his last annual general meeting as chief executive, Mr Brown gave his first account of the fierce public criticism which flared 16 months ago over his pay package and declared his wish to enjoy a quiet life.

At the peak of the row over his 71 per cent rise in salary and benefits to £492,602 Mr Brown was described as "the most hated man in Britain".

"If you are a human being then quite frankly some of that is going to hurt," he said. "It is a very unusual set of circumstances and I think there are very few business people experienced with this sort of thing.

"But you learn to deal with it and you learn a lot about yourself."

Cedric Brown: seeking the quiet life

David Jones

Mr Brown appeared bemused by the contrast between yesterday's AGM in Birmingham and the public anger demonstrated at last year's meeting in London's Docklands. Then he was met by 4,600 shareholders and the sight of a pig named Cedric eating from buckets labelled "share options".

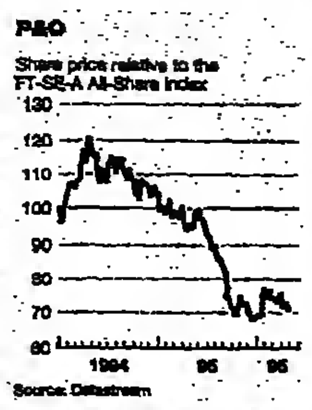
But fewer than 500 shareholders attended yesterday's meeting in Birmingham's National Exhibition Centre and the mood was relatively subdued. Several applauded after Mr Richard Giordano, chairman, thanked Mr Brown for his "experience, infectious commitment and loyalty".

However, the board did not escape criticism over a year in which customer complaints more than doubled to 49,000.

LEX COMMENT

Channel crossings

There is so much blood in the channel that even the sharks want to huddle together for comfort. Last week Stena, the second-largest ferry operator, blamed Eurotunnel for its growing losses. Yesterday P&O joined the chorus, publishing some sharply reduced passenger figures, despite strong growth in the market as a whole. Now P&O wants the British government to let it talk to Stena about combining the two businesses. Commercially, this would make powerful sense. Competition in the channel is cut-throat and there is far too much ferry capacity. For shareholders in both groups, a combination would be excellent news.



Whether the government should allow it is more doubtful. P&O and Stena dominate the ferry market. Combined, they would, in effect, form a single strong ferry operator slugging it out with the tunnel.

There is certainly no threat of an oligopoly at present: rather the reverse. But in a fast-growing market, and especially as the tunnel fills up, the temptation for the tunnel and the merged ferries to settle into a comfortable duopoly over time would be considerable. Their smaller competitors would be hardly likely to object.

The trouble is that this may well happen anyway. If competition continues at its current rate, one of the big ferry operators – most likely Stena – is going to pull out in the end. If so, blocking the merger would be pointless.

Sooner or later, P&O will probably get its way whatever happens. But its shareholders, and Eurotunnel's, will have to accept the price: a market which is never likely to be free of the oppressive attentions of regulators.

GA buys two German businesses from UAP

By Ralph Atkins, Insurance Correspondent

General Accident, the Scotland-based composite insurer, yesterday began a promised expansion in continental Europe with the acquisition of two German businesses from UAP, the loss-making French insurance group.

The move was the second restructuring in as many days for UAP, which on Monday announced it was floating a minority stake in Sun Life and Provincial Holdings, the vehicle which controls its UK and Irish operations.

GA is paying DM140m cash for UAP Allgemeine, a general insurer specialising in domestic, personal lines and small commercial products, and UAP International Leben, a life assurer.

Analysts expressed scepticism about the timing of GA's move – just as German insurers' profits are coming under pressure – and the deal's modest size. "It doesn't exactly launch them into the mega league of German insurers," said Mr Trevor May, insurance analyst at Salomon Brothers.

But Mr Bob Scott, GA's chief executive, said deregulation was leading to significant changes in the German market, creating opportunities for companies with experience in the less restricted UK market. He said: "This move gives us a solid base which will enable further profitable expansion in the coming years". Mr Scott would not comment specifically on possible further acquisitions, but said yesterday's deal "is not the end of the story".

Pet City's rapid growth continues

By David Blackwell

Pet City Holdings, the rapidly expanding chain of supermarkets specialising in products for pets, yesterday reported a 49 per cent rise in interim sales to £25.9m ($39m), against £17.4m.

The group last December raised £20m in one of the biggest cash raising exercises on the Alternative Investment Market (Aim). The shares, placed at 300p, rose a further 20p to close at 420p yesterday.

Four stores have been opened since the float, taking the total to 39. Opening costs are written off as they occur, leaving the group £293,000 in the red before tax for the six months to January 27, down from a previous £694,000 loss.

Mr Richard Northcott, chairman, said there had been a lull in the pace of expansion because of the flotation. But the group would be up to 50 stores by the end of August, and to 75 by the end of July next year.

Like-for-like sales were almost 8 per cent higher, and were 13 per cent higher over Easter in stores that benefited from a television advertising campaign. The original store, opened in Swindon in 1993 at 2,000 sq ft, had been moved to a 17,000 sq ft site.

NatWest denies Morton action

By William Lewis

National Westminster Bank yesterday took the unusual step of publicly denying that one of its senior bankers was leading an attempt to unseat Sir Alastair Morton as co-chairman of Eurotunnel.

The bank also stated that, contrary to reports, Sir Alastair's future at the debt-ridden operator of the Channel tunnel had not been discussed at a meeting of bankers on Sunday.

Banks normally refuse to comment on clients, but NatWest said yesterday that a report in The Independent newspaper on Tuesday that named Mr Roger Byatt, deputy chief executive NatWest Markets, as leading moves to oust Sir Alastair was "wrong".

The public comments by NatWest, one of Eurotunnel's four main lenders, came as it emerged that in recent days a number of banks have stepped up their criticisms of Sir Alastair. They are now looking to bring forward his replacement from the announced date of October.

Criticisms of Sir Alastair were exacerbated, bankers say, by comments he made last week when unveiling Eurotunnel's losses of £935m for 1995, one of the largest deficits in UK corporate history.

Sir Alastair blamed the banks for the slow pace of the talks, and this has apparently angered a number of them.

"We were mightily pissed off," one banker said. "That crowing, as much as anything, has been responsible for the mood change against Sir Alastair."

However, any attempt to unseat Sir Alastair is likely to be strongly resisted by shareholders. An adviser said that "there are signs that the thing is dying away rather than carrying on".

The Anglo-French company has been in negotiations with its 225 banks since September, when it suspended interest payments on £8.1bn of debt after deciding that it could not meet its interest payments from revenues for many years.

Sir Alastair has already announced that he intends to leave Eurotunnel in October, but would stay on if, as seems likely, negotiations with the banks have not been completed by then.

One banker said there will "not be a high noon, rather the bringing forward of an orderly succession".

Another said Sir Alastair "and his extraordinary ways were right for the construction phase but not for this bit of the project".

COMPANIES AND FINANCE: UK

Mystery of £405m Grid stake

By Patrick Harverson and Tim Burt

Mystery surrounded the identity of National Grid's largest shareholder yesterday after Hanson, the industrial conglomerate, sold its 12.5 per cent stake in the power transmission company for £405m.

Hanson – which acquired the stake as part of its takeover of Eastern Gronp, the energy company, last year – sold the 210m shares to HSBC James Capel, the stockbroker, for 192p a share yesterday morning. Within hours James Capel announced it had sold the stake to Crescent Holdings, part of the Olayan Group, a secretive Athens-based investment company. The group is controlled by Mr Suliman Olayan, the billionaire Saudi financier with extensive business interests in banking and energy.

There was uncertainty over whether the Olayan Group would be the ultimate buyer of the stake. James Capel said it had "hedged the market risk of its purchase of National Grid shares through a structured transaction with Crescent Holdings". The transaction was believed to be a derivatives deal that protected the stockbroker from the risk of losing money on the shareholding.

The statement led some City analysts to suggest that Olayan was simply underwriting James Capel's risk of holding the shares, and that a separate buyer had been lined up for the stake. Both James Capel and Olayan refused to comment.

National Grid's shares rose 6p to 205p amid speculation that a predator was stalking tha company.

However, analysts played down talk of a bid for the company, pointing ont that the government still held a "golden share" allowing it to stop any company or individual from owning more than 15 per cent.

Hanson shares rose ½p to 197p.

Disposals halve James Finlay

By David Blackwell

Tha disposal of most of its financial services interests in the past year helped to halve profits at James Finlay, the tea company.

Pre-tax profits for the year to the end of December fell from *£7.25m to £3.62m ($5.5m) after* losses of £4.02m on the disposal of two businesses in the US. The inability to offset the losses resulted in a tax charge of £3.75m, leaving earnings per share at zero.

Mr Richard Muir, chairman, said the group faced the future with a proper focus on the core international tea operations. "The outlook is very much better than it has been for some time." The shares added 12p to close at 79p.

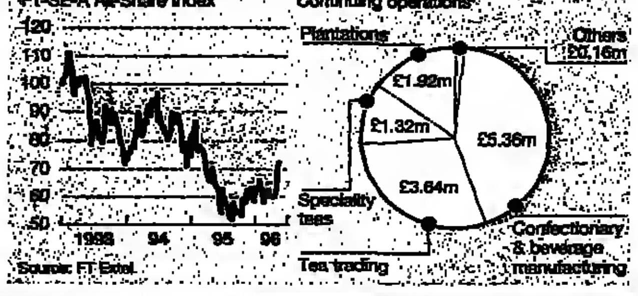
Operating profits on continuing businesses were £11.4m on sales of £154m. Total group sales were £166m, down from *£176m, mainly because of low* tea prices and an adverse exchange rate in Kenya. The plantation division's profits fell to £1.92m (£7.54m).

The speciality tea business, turned losses of £868,000 into profits of £1.32m, while tea trading profits shot from £905,000 to £3.64m.

PROFILE
James Finlay
Market value: £79.7m Share price: 79p +12p

	1991	1992	1993	1994	1995
Turnover	£143.7m	£165.2m	£184.7m	£176.4m	£166.0m
Pre-tax profit	£8.9m	£10.1m	£13.8m	£7.2m	£3.6m
Earnings per share	4.9p	4.7p	5.0p	3.5p	—
Dividend per share	4.15p	4.15p	4.15p	4.15p	3.15p

SHARE PRICE relative to the FT-SE-A All-Share index
OPERATING PROFIT Continuing operations



Source: FT Extel

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Air London	6 mths to Jan 31	16.2	(12.1)	0.99	(0.38)	6.5	(2.8)	1.8	June 24	1.6	-	4
Baltic Mining	6 mths to Dec 31	nil	(0.496)	1.05L	(0.049)	0.44L	(0.02)	-	-	-	-	-
CHP Leisure §	*Yr to Oct 31*	0.55	*(0.67)*	*0.45L*	*(0.28L)*	*1.2L†*	(1.4L)	-	-	-	-	-
Dana Petroleum ♣	Yr to Dec 31	-	(-)	0.678L‡	(0.25L‡)	0.36L	(0.34L)	-	-	-	-	-
Finlay (James)	Yr to Dec 31	166.1	(176.4)	3.62♠	(7.25♠)	nil	(3.5)	2.15	July 11	2.15	3.15	4.15
Galaxy Media	Yr to Dec 31 #	0.226	(0.154)	0.173L	(0.056)	9.7L†	(2.8)	-	-	-	-	2.5
Hiscox Dedicated Φ	Yr to Dec 31	2■	(0.62■)	1.94	(0.26)	3.24	(1.7)	1.5	June 3	-	2.5	-
Intereurope Tech	6 mths to Dec 31	3.07	(3.41)	0.164	(0.342)	2.38	(4.44)	1	May 31	2	-	7.8
Jersey Electricity	6 mths to Mar 31	21.8	(20.1)	1.58	(1.6)	0.95	(0.89)	16Ŧ	Aug 23	14	-	39
OEM	6 mths to Dec 31	0.901	(0.301)	0.007	(0.017)	0.1	(0.3)	-	-	-	-	nil
On Demand §	6 mths to Jan 31	5.66	(5.12)	1.28L	(1.33L)	2.5L	(2.6L)	-	-	-	-	-
Orb Estates	6 mths to Dec 31	0.61	(0.55)	2.04L	(0.125)	30.7L	(1.7)	-	-	-	-	-
Pacific Media Φ	Yr to Dec 31	1.67	(0.939)	5.43L♠	(2.15L)	0.42L	(0.21L)	-	-	-	-	-
Parambe	Yr to Dec 31	-	(-)	0.201L	(0.276L)	3.47L	(4.67L)	0.6	July 5	0.6	0.6	0.6
Pet City Φ	6 mths to Jan 27	25.9	(17.4)	0.293L	(0.694L)	2.74L	(8.94L)	-	-	-	-	-
Tullow Oil ♣	Yr to Dec 31	5.31	(3.62)	1.19	(1.16)	0.66†	(0.69)	-	-	-	-	-
Westmount Energy Φ	6 mths to Dec 31 ★	0.106	(0.022)	0.046	(0.006L)	0.046	(0.014L)	-	-	-	-	-
Whitchurch	Yr to Dec 31 ☆	48.5	(45)	0.707♥	(0.971)	3.41	(5.13)	1.05	June 18	1.05	1.6	1.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Emerging	6 mths to Mar 31	93.59	(74.61)	0.021L	(0.086)	0.04L	(0.13)	-	-	-	-	0.4
Jove	Yr to Feb 28	54.9	(50.18)	1.13	(0.941)	7.95	(6.65)	3.1	May 31	3	7.3♦	6.8♦
Venturi	Yr to Mar 31 ★	23.74	(21.12)	0.28	(0.255)	4.66	(4.25)	2.62	June 14	2.34	4.4	4

Earnings shown basic. Dividends shown net except Ŧgross throughout. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. ‡After tax. ΦAim stock. #Current period covers 18 months to June 30. ■Gross income. †On increased capital. §USM stock. ☆Comparatives for 14 months. ★Comparatives restated. ♦Includes special of 1.1p (0.8p).

DIGEST

Thomson near to Routledge sale

CINVen, the venture capitalist, has confirmed that it is likely to buy Routledge, the British academic publishing group owned by Thomson Corporation.

The Canadian-based publishing and travel group parent is believed to be seeking up to £62m ($94m) for the publisher, which has UK sales of more than £20m, and slightly less in the US.

Mr Brian Linden, CINVen director, said: "We are talking about buying the business from Thomson. Our discussions are more progressed than other people's."

Routledge was bought by Associated Book Publishers for £4.4m in 1985, which was bought by Thomson in 1987. Its main strength is cultural studies and its titles include *Outlaw Culture* by Bell Hooks, the black American feminist, and *How the Irish Became White* by Noel Ignatiev.

Routledge owns the exclusive UK rights to Carl Jung and Bertrand Russell. It also owns the Arden Shakespeare series, but Thomson is expected to transfer this to its subsidiary Thomas Nelson, to keep the lucrative brand within the group. *Simon Kuper*

Mitsubishi deal with Aromascan

Aromascan, the maker of electronic noses, yesterday signed a joint marketing and development agreement with Mitsubishi Electric and signalled a rights issue.

The group, which floated in August 1994, has signed an agreement to develop an automated quality control system, *incorporating Aromascan's odour detection technology, for* factories across a range of industries. It is understood the group plans to raise £10m-£15m ($23m) in a rights issue this summer to help fund the development project.

Mitsubishi will invest an undisclosed sum, as well as contribute its engineering expertise and marketing power. Aromascan will invest in developing the odour technology. Both will receive a proportion of revenues and both will distribute the systems, capitalising on marketing strengths in particular regions. *Motoko Rich*

Mid Kent: government must rule

A High Court judge yesterday pronounced himself unable to resolve a dispute over the proposed French takeover of Mid Kent Holdings, a small English water company, saying it was up to the trade secretary to rule on the case.

Mid Kent said yesterday it had initiated the legal action against General Utilities and Saur Water Services, owned respectively by France's Compagnie Générale des Eaux and Bouygues, with the Department of Trade and Industry's blessing.

It had argued that General Utilities joint bid with Saur violated General Utilities' 1991 undertaking to the trade secretary not to increase its stake in mid-Kent above 19.5 per cent. *Leyla Boulton*

Maid shares rise on IBM deal

Shares in Maid rose 12 per cent yesterday as the rapidly expanding UK-based online business information supplier announced a deal with International Business Machines.

Maid is to provide news and research information for IBM's new infoMarket Internet business information service. The *deal, the latest in a string of announcements by Maid which* has recently signed similar agreements with CompuServe and Microsoft, helped Maid's shares close 26p higher at 240p. On August 8, they stood at 82p. *Paul Taylor*

COMMODITIES AND AGRICULTURE

Wheat futures plunge as crop outlook brightens

By Laurie Morse in Chicago

Long-term forecasts for favourable growing weather in key regions of the US midwest helped push grain prices down sharply for the second consecutive session at the Chicago Board of Trade Tuesday. Some traders said the wheat market might have seen the top to its historic six-week rally.

Improved international wheat prospects also pressured prices. Trading in wheat futures for July delivery was suspended in the morning after prices fell the maximum allowable limit – 30 cents a bushel. Wheat for nearby delivery continued trading, but closed down 9½ cents a bushel at $6.42 at midday, more than 10 per cent lower than the all-time high of $7.17 scored last week.

Chicago traders said the price slide that began Monday after weekend rains improved crop prospects in the northern plains growing regions of the US invited further selling by hedge funds today. The moisture is also expected to boost the outlook for the US maize crop, which farmers are now planting.

At the same time improved prospects for wheat crops in other areas of the world were taking the edge off concern about short grain supplies later this season, said Mr Dan Basse, president of AgResources, an agricultural consulting firm.

The Canadian government said yesterday that it expected spring wheat plantings to expand by 18 per cent this season, to the second largest acreage on record, and Mr Basse said slowing US wheat export sales and rising animal slaughter numbers showed that higher prices had begun to ration grain demand.

Analysts suggested that the weekend rains might have been too late to salvage the most drought-damaged wheat fields in areas of Texas and Oklahoma. A US Department of Agriculture survey taken before the weekend and reported late on Monday put 46 per cent of the nation's winter wheat crop in poor or very poor condition. The agency said spring wheat plantings also continued to lag, because of cold, wet conditions, with only 10 per cent of sowing complete, compared with an average of 35 per cent at this time of year. Traders said, however, that spring wheat could be planted as late as May 20, and that a few days of fair weather would greatly improve field conditions and speed sowings.

Maize prices will remain close to historic highs until at least the first half of 1998, according to the Economist Intelligence Unit, writes Alison Maitland.

It said in its second quarter World Commodity Forecasts that it had made "a substantial upward revision" to its price forecasts in the light of sharp increases in futures and export prices and the tight position on stocks.

"Little increase in maize carryover stocks can be realistically foreseen in either 1996-97 or 1997-98," said the report.

"Stocks in the US would climb to 17m tonnes in the third quarter of 1997, still far short of a safe level. Carryovers in the other exporting countries will remain minimal."

The report was written before last week's surge in US grain futures, triggered by news that nearly half the US winter wheat crop was in poor condition because of bad weather. But Ms Karen St Jean, editor, said this had not changed the EIU's predictions.

It said maize prices would remain close to $170 a tonne until the third quarter, when pressure of new crop US supplies would push them below $160. They would then hold close to that level.

Chilean copper workers prepare to strike

By Imogen Mark in Santiago

The management at Codelco, the Chilean state copper corporation, has only a day to try to avoid a strike at its Chuquicamata mine, one of the biggest in the world.

The workers were due to hold a general assembly in the late afternoon yesterday to put their final demands. If the two sides fail to reach agreement there will be a strike from the early hours of tomorrow.

A solid majority of the workforce are in favour of industrial action. In a massive turnout for a secret ballot on Monday, 83 per cent of the 6,929 workers voted against accepting the company's last offer and in support of strike action.

In so voting they rejected the advice of their union leadership, who had recommended taking the offer.

The difference between the two sides is not apparently very substantial. The management has offered a real increase of 3 per cent on the basic wage, the workers want 4 per cent. The management has given way on issues relating to company health care, which it had wanted to limit.

But the Codelco management's overriding aims are to keep a tight rein on basic costs at all four of its mines and to increase wages by means of productivity or cost reduction bonuses or other incentives like training or study grants.

It had successfully enlisted the union leadership in support of its strategy and over the past couple of years had negotiated, among other things, substantial job reductions and more flexibility in job definitions.

Truck drivers, for example, agreed to do basic maintenance on their vehicles in exchange for a bonus and to give up their normal sit-down lunch break and take a packed lunch in the cab, which Codelco's chief executive officer, Mr Juan Villarzu, reckons makes a saving equivalent to the work of 13 or 14 trucks a year.

A company official at the mine insisted that those issues were not important in the present mood of rebellion and disaffection among the workers. He attributed much of it to unrealistic expectations and to politicking by grass roots leaders seeking office in coming union elections. There was also a labour tradition in collective bargaining of pushing for "one last scrape from the bottom of the pot".

But the management is emphatic that it will not up its final offer by a single cent. It thinks a strike is now unavoidable and says it has sufficient stocks to sit it out for "several weeks".

After 15 days, however, management has the right under Chilean labour law to hire replacement workers. At that point most strikers choose to go back to work.

The Chuquicamata mine produces 600,000 tonnes of fine copper, over a fifth of all Chile's copper, which totalled 2,488,000 tonnes last year. Chile, in turn, produces about 30 per cent of all mined copper in the western world.

There was a muted reaction at the London Metal Exchange to the news that a strike at Chuquicamata was now virtually certain, even though the mine last year accounted for 7.5 per cent of the western world's copper, writes Kenneth Gooding. Copper for delivery in three months ended at $2,602.50 a tonne, up $5. Traders said consumers had stocked up in anticipation of a strike and it was widely assumed that any dispute would not last very long.

Barrick upgrades El Indio gold reserves

By Bernard Simon in Toronto

Barrick Gold has substantially raised its estimate of reserves along the El Indio gold belt in central Chile.

The Toronto-based company, which is the biggest gold producer outside South Africa, has also expanded exploration activities in Indonesia, the Philippines and in several west African countries, notably Mali and Niger, as part of a drive to establish a wider international presence.

However, Mr Peter Munk, Barrick's chairman and controlling shareholder, said before yesterday's annual meeting that "it's important not to be all over the map" in terms of both geography and operations.

Mr Munk said Barrick would continue to confine itself to gold mining and had no interest in moving into South Africa. However, co-operation with South African mining houses in other parts of the world was a possibility.

Barrick now estimates El Indio's reserves at 6.5m ounces, more than triple its estimate when it acquired the property in late 1994 as part of its takeover of Canada's Lac Minerals.

The latest discoveries are in the Quebrada de Pacua area, at the northern end of the 200km-long belt. Construction began recently of a mine in the area, which is due to come on stream in 1998. Mr John Carrington, Barrick's chief operating officer, said that "we are convinced that the potential of this new mine is still wide open".

The company is also stepping up production at the existing Tambo and El Indio mines.

Barrick's 10 mines in north and south America are expected to produce about 3.2m ounces of gold this year, slightly higher than 1995. The company has acquired nine exploration properties in Indonesia and says that it sees "great future opportunities" in the Philippines.

Capital spending is expected to rise from US$330m this year to about $400m in 1997. Exploration spending is due to grow by about 20 per cent this year from 1995's $92m. The company arranged a $1bn revolving credit facility last year to help with the financing of future expansion, but executives declined yesterday to give details of how these funds might be spent.

Expansion planned at Canadian lead-zinc mine

By Robert Gibbens in Montreal

Cominco has decided to spend about US$100m to expand capacity at its Red Dog zinc-lead mine in north-western Alaska by 40 per cent to 650,000 tonnes a year, with the new capacity scheduled to come on stream in 1998.

The company is also planning to set up a $10m demonstration plant in Vancouver for its new copper refining process. The process recovers copper from sulphide ores at lower cost than smelting and also reduces environmental hazards.

Later, a commercial unit is planned at the Highland Valley copper mine in southern British Columbia.

LME WAREHOUSE STOCKS
(As at Thursday's close) tonnes

Aluminium	+3,175	to 624,350
Aluminium alloy	-20	to 63,100
Copper	+2,600	to 303,575
Lead	-175	to 89,250
Nickel	-266	to 34,974
Zinc	+700	to 622,475
Tin	+320	to 8,770

RTZ-CRA drops potash plan

By Nikki Tait in Sydney

RTZ-CRA, the Anglo-Australian mining group, has pulled out of a potential potash project in the Mendoza province in northern Argentina. The group said last Friday that the results of a pre-feasibility study "were not sufficiently encouraging to proceed".

Last June, CRA – at that stage managed separately from RTZ – signed an option that could have seen it take a 80 per cent stake in the development of the potash deposit, one of the world's largest known undeveloped resources.

CRA said then that the deposit contained an identified mineral resource of 59m tonnes of recoverable potassium chloride, within an area of about 20 sq km, although it also suggested that sufficient drilling existed within the entire lease to infer a much larger resource.

The agreement was with Potasio Rio Colorado, part of the Argentine's Minera Tea company, which found the deposit in 1976. At the time, CRA was attempting to spread its interests outside Australasia, and South America was viewed as one of the main areas in which it was interested.

Since then, however, the Melbourne-based company merged operationally with RTZ, and this objective has been subsumed into those of the larger group, which functions globally.

Poland to cut coal production by 18 per cent

By Christopher Bobinski in Warsaw

Poland's government yesterday approved a coal industry restructuring programme that is aimed at cutting output from last year's 135m tonnes to 110m tonnes in the year 2000 while increasing productivity by 25 per cent by the end of the century.

The plan for what is now Europe's largest coal producer also means the loss of 80,000 jobs in an industry that expects to be employing 174,000 people within five years. The move is to be underpinned by 4.5bn zloty (US$1.8bn) worth of subsidies over this period, Mr Klemens Scierski, the industry minister said yesterday. The funds are to go on new equipment, unemployment payments and to cover the costs of up to 20 pit closures. The industry also hopes to cap its debt at its present 8bn zlotys.

Poland's coal exports, now sold at a loss that reached a reported 32m tonnes last year, should fall to about 10m tonnes in the year 2000 as a result of the restructuring programme.

Mr Jerzy Markowski, the deputy industry minister responsible for mining, is promising a return to profitability by 1998 for the industry, which is expecting to report a 740m zlotys loss this year.

At the same time the government has told the industry that domestic coal prices should rise no faster than inflation in general while the miners had hoped to see real increases in this period. The government has also refused to commit itself to approving a 2 per cent annual real growth in wages over the national average, as originally outlined in the plan.

Acceptance of the restructuring plan means that the government can now start talks with the World Bank on projected loans worth around $350m to help finance it.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1599-99	1630-31
Previous	1598.5-9.5	1631-32
High/low	1610/1595	1642/1627
AM Official	1604.5-5	1635.5-36
Kerb close		1627-27.5
Open int.	205,341	
Total daily turnover	68,649	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1335-45	1375-80
Previous	1340-50	1380-85
High/low		1380/1375
AM Official	1335-45	1375-80
Kerb close		1373-78
Open int.	5,256	
Total daily turnover	2,037	

■ LEAD ($ per tonne)

Close	800-2	793-4
Previous	800-5	796-7
High/low	804	794/790
AM Official	802.5-4	793.5-4.5
Kerb close		790-1
Open int.	36,337	
Total daily turnover	8,854	

■ NICKEL ($ per tonne)

Close	7880-900	7990-95
Previous	7880-900	8080-85
High/low		8140/7910
AM Official	7950-55	8050-55
Kerb close		7910-20
Open int.	37,834	
Total daily turnover	13,275	

■ TIN ($ per tonne)

Close	6460-70	6480-85
Previous	6505-15	6525-30
High/low		6550/6480
AM Official	6530-35	6540-41
Kerb close		6480-80
Open int.	16,511	
Total daily turnover	4,059	

■ ZINC, special high grade ($ per tonne)

Close	1029.5-31.5	1055-57
Previous	1039.5-40.5	1065-66
High/low	1037	1066/1053
AM Official	1037-37.5	1062-62.5
Kerb close		1053-54
Open int.	70,763	
Total daily turnover	24,349	

■ COPPER, grade A ($ per tonne)

Close	2668-73	2602-03
Previous	2683-86	2596-98
High/low	2703/2700	2622/2595
AM Official	2705-06	2617-18
Kerb close		2596-97
Open int.	171,841	
Total daily turnover	77,593	

■ LME AM Official £/$ rate: 1.5091
LME Closing £/$ rate: 1.5043

Spot: 1.5045 3 mths: 1.5025 6 mths: 1.5012 9 mths: 1.4993

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	121.15	+0.05	122.30	119.70	4,646	10,191
Jun	120.45	-0.30	121.60	119.40	1,552	2,762
Jul	118.15	-0.78	121.00	118.35	5,438	25,028
Aug	118.00	-0.50	119.40	119.40	17	632
Sep	116.85	-0.40	118.10	116.05	154	4,292
Oct	115.75	-0.30	115.90	115.90	10	501
Total					11,982	53,448

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	391.40-391.80		
Opening	390.10-390.40		
Morning fix	390.15	258.72	482.58
Afternoon fix	391.30	260.26	486.78
Day's High	392.00-392.30		
Day's Low	390.00-390.30		
Previous close	390.90-391.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.28	6 months	3.79
2 months	4.13	12 months	3.74
3 months	4.05		

Silver Fix	p/troy oz.	US cts equiv.
Spot	349.70	527.75
3 months	354.30	534.00
6 months	358.15	540.70
1 year	368.15	553.15

Gold Coins	$ price	£ equiv.
Krugerrand	390-393	260-262
Maple Leaf	402.45-404.95	
New Sovereign	91-94	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	391.9	+1.1	-	-		
Jun	393.5	+1.1	394.0	391.5	12,946	103,051
Aug	395.9	+1.1	396.4	394.9	571	20,580
Oct	398.2	+1.1	398.3	397.3	11	5,522
Dec	400.6	+1.1	401.0	399.2	530	25,867
Feb	403.0	+1.1	-	401.5	12	5,584
Total					14,616	207,700

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	403.6	-1.9	405.5	402.1	1,143	19,549
Oct	406.5	-1.9	408.0	406.6	355	3,288
Jan	409.3	-1.9	411.2	411.2	217	909
Apr	412.6	-1.9	414.0	414.0	366	1,315
Total					2,081	25,061

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	131.35	-0.35	132.00	129.00	1,612	5,321
Sep	132.55	-0.40	133.00	130.50	368	2,364
Dec	133.80	-0.40	134.50	131.00	12	177
Total					1,890	7,882

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

May	528.1	+7.9	533.0	522.0	10,568	5,345
Jun	531.6	+7.5	533.0	531.0	1	6
Jul	534.0	+7.5	538.5	527.5	20,122	61,902
Sep	539.0	+7.7	543.6	535.0	494	13,249
Dec	546.3	+7.8	550.6	542.0	533	9,446
Mar	553.8	+8.6	558.0	552.0	31	3,391
Total					31,793	97,574

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	21.33	-1.10	22.38	21.20	34,045	105,682
Jul	20.30	-0.65	20.93	20.20	16,809	68,989
Aug	19.53	-0.46	19.95	19.45	7,774	50,164
Sep	19.01	-0.42	19.33	18.95	2,360	34,630
Oct	18.74	-0.42	19.00	18.74	1,280	24,859
Nov	18.65	-0.31	18.77	18.65	2,031	16,602
Total					70,898	455,179

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	19.28	-0.57	19.60	19.13	16,119	57,367
Jul	18.59	-0.52	18.86	18.48	11,846	59,284
Aug	17.99	-0.46	18.28	17.99	3,617	23,120
Sep	17.86	-0.34	17.89	17.66	1,275	12,592
Oct	17.44	-0.31	17.57	17.44	760	7,578
Nov	17.40	-0.17	17.40	17.40	1,250	4,042
Total					33,353	169,807

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	61.15	-1.13	62.40	60.45	11,680	5,357
Jun	55.16	-1.84	57.50	54.70	12,673	22,694
Jul	53.40	-1.54	55.05	53.20	4,350	14,597
Aug	52.95	-1.34	54.30	52.80	917	12,731
Sep	53.10	-1.39	53.80	53.10	320	6,629
Oct	54.15	-0.84	54.35	54.00	444	3,872
Total					32,395	92,988

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	168.50	-4.00	170.25	165.75	8,711	12,475
Jun	166.00	-1.00	166.75	164.00	4,318	13,342
Jul	164.00	-2.25	165.25	163.25	1,263	7,095
Aug	163.25	-2.75	164.75	163.00	287	6,163
Sep	163.75	-2.25	164.50	163.75	93	3,258
Oct	164.75	-1.75	165.00	164.75	167	1,689
Total					15,684	52,852

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.220	-0.003	2.240	2.210	9,254	30,553
Jul	2.190	-0.014	2.225	2.185	3,204	21,416
Aug	2.200	+0.002	2.216	2.185	1,681	16,147
Sep	2.190	+0.003	2.190	2.161	1,761	14,527
Oct	2.175	-0.002	2.190	2.170	902	11,491
Nov	2.230	+0.016	2.235	2.215	603	8,175
Total					20,367	144,478

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	72.80	-4.21	77.70	72.50	14,688	6,119
Jun	69.25	-3.08	73.50	69.10	15,760	34,349
Jul	65.80	-1.95	67.75	65.45	4,582	17,637
Aug	61.90	-1.40	63.00	61.50	1,578	11,792
Sep	59.15	-0.70	59.60	58.50	519	3,809
Oct	55.70	-1.00	55.70	55.70	353	1,390
Total					37,623	88,218

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	128.65	-0.16	128.60	127.00	81	620
Jul	130.75	-0.20	130.70	129.40	175	1,477
Sep	115.85	-0.55	115.50	115.50	8	396
Nov	117.35	-0.55	117.25	116.00	398	3,036
Jan	119.10	-0.65	118.10	118.00	125	980
Mar	120.80	-0.85	121.00	120.00	55	119
Total					855	6,679

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

May	641.50	-10.00	664.50	630.00	2,754	2,004
Jul	567.00	-30.00	595.00	567.00	10,268	61,686
Sep	558.00	-30.00	577.00	558.00	2,116	15,798
Dec	563.00	-30.00	585.00	563.00	2,351	17,008
Mar	549.00	-30.00	576.00	549.00	258	1,335
May	496.00	-25.50	511.00	491.50	38	136
Total					18,091	98,424

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	462.50	-11.25	485.75	460.00	36,096	22,182
Jul	452.00	-18.00	483.00	452.00	44,962	170,707
Sep	358.50	-6.50	367.50	358.00	16,592	61,268
Dec	327.50	+3.75	330.00	321.00	27,788	132,182
Mar	333.50	+4.50	335.00	326.00	1,147	14,308
May	336.00	+4.00	339.00	333.00	98	1,391
Total					123,112	409,799

■ BARLEY LCE (£ per tonne)

May	111.35	-3.05	113.25	113.25	10	238
Sep	108.75	-0.75	109.00	109.00	10	49
Nov	110.85	+0.16	110.75	109.50	43	626
Jan	113.25	-	-	-	-	87
Mar	115.15	+0.15	-	-	-	41
Total					63	1,047

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	787.25	+0.75	795.00	777.00	15,743	12,690
Jul	785.00	-1.75	803.00	775.00	43,437	81,865
Aug	783.75	+0.25	802.00	783.00	2,016	11,148
Sep	776.75	+6.75	781.00	766.50	945	8,248
Nov	767.50	+10.00	770.00	751.00	20,771	68,735
Jan	772.75	+9.75	775.00	760.50	311	6,618
Total					83,971	195,855

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	26.97	+0.28	27.00	26.50	10,173	7,775
Jul	27.34	+0.20	27.44	27.00	14,055	52,719
Aug	27.50	+0.15	27.57	27.20	2,178	9,935
Sep	27.61	+0.17	27.70	27.30	252	4,134
Oct	27.71	+0.30	27.85	27.40	274	3,607
Dec	28.03	+0.35	28.08	27.60	2,247	18,258
Total					29,387	95,824

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	241.8	-0.2	243.5	238.5	10,401	9,536
Jul	245.4	-2.9	248.5	243.1	22,001	53,562
Aug	245.6	-2.5	249.0	243.5	2,862	11,261
Sep	242.5	-2.5	245.0	240.0	951	7,115
Oct	238.6	-	240.5	235.5	265	3,803
Dec	238.7	+0.5	240.0	235.5	3,814	16,316
Total					48,403	104,164

■ POTATOES LCE (£/tonne)

May	134.9	-23.5	153.0	133.9	35	86
Jun	225.0	-	-	-	-	-
Nov	93.0	-12.0	-	-	-	-
Mar	110.0	-20.0	-	-	-	-
Apr	120.3	-5.2	125.0	119.5	100	983
Total					135	1,069

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1461	-2	-	-	-	728
May	1376	+6	1370	1365	30	800
Jun	1283	+10	1280	1260	14	481
Jul	1255	+5	1255	1250	41	1,924
Oct	1337	+7	1336	1330	21	1,020
Jan	1365	+30	-	-	-	57
Total					106	5,058

	Close	Prev
BFI	1458	1463

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (*last week's in brackets, where changed*). Antimony: 99.6%, $ per tonne, 3,000-3,300 (3,300-3,500). Bismuth: min. 99.99%, tonne lots 3.40-3.85 (3.60-4.00). Cadmium: min. 99.95%, 110-130 (135-155) cents a pound. Cobalt: MB free market, 99.8%, 28.50-29.15 (28.50-29.10); 99.3%, 27.05-27.65. Mercury: min. 99.99%, $ per 76 lb flask, 172-180. Molybdenum: drummed molybdic oxide, 3.30-3.50 (3.50-3.90). Selenium: min 99.5%, 3.45-4.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 52-62. Vanadium: min. 98%, cif, 3.05-3.15 (2.98-3.10). Uranium: Nuexco exchange value, 13.50.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1033	-21	1084	1025	561	2,832
Jul	1071	-18	1087	1058	3,381	26,790
Sep	1093	-16	1117	1076	1,753	46,364
Dec	1018	-23	1048	1009	903	26,654
Mar	1016	-22	1037	1009	4,073	86,525
May	1020	-22	1049	1020	77	16,308
Total					10,676	186,223

■ COCOA CSCE (10 tonnes; $/tonnes)

May	1353	-50	1405	1362	34	283
Jul	1368	-50	1412	1359	5,560	34,041
Sep	1374	-44	1413	1365	8,929	17,993
Dec	1383	-44	1422	1375	1,179	17,148
Mar	1398	-45	1420	1392	1,258	13,698
May	1415	-45	1420	1415	111	4,901
Total					20,163	87,441

■ COCOA (ICCO) (SDR's/tonne)

Apr 29	Price	Prev. day
Daily	1047.44	1043.03

■ COFFEE LCE ($/tonne)

May	1903	-46	1920	1900	2,538	4,557
Jul	1912	-53	1932	1900	3,958	15,931
Sep	1916	-47	1928	1907	807	6,881
Nov	1910	-47	1926	1900	169	2,943
Jan	1876	-67	1903	1875	86	1,460
Mar	1867	-58	-	-	-	654
Total					7,588	31,336

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	125.16	+1.85	126.20	123.50	382	1,041
Jul	124.45	+1.95	125.25	122.00	5,658	20,301
Sep	123.55	+1.85	124.00	121.00	589	4,833
Dec	121.85	+1.85	122.25	120.25	185	2,526
Mar	120.55	+1.15	121.00	119.40	20	603
May	119.00	+1.50	121.00	121.00	0	242
Total					7,843	29,610

■ COFFEE (ICO) (US cents/pound)

Apr 29		Prev. day
Comp. daily	110.78	112.22
15 day average	107.94	107.43

■ WHITE SUGAR LCE ($/tonne)

Aug	358.3	+0.3	360.5	353.0	1,593	12,023
Oct	331.8	-0.5	334.0	329.2	667	5,281
Dec	323.5	+0.2	325.5	321.2	209	3,080
Mar	321.5	+0.7	323.0	319.4	520	2,571
May	321.1	+0.7	321.0	320.0	31	1,142
Aug	323.6	+0.4	325.0	322.5	125	255
Total					3,225	24,512

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	10.51	+0.01	10.60	10.05	6,015	3,150
Jul	10.39	-0.02	10.43	10.15	6,191	58,189
Oct	10.40	-0.00	10.48	10.25	1,370	34,501
Mar	10.42	-0.01	10.48	10.21	1,224	23,782
May	10.35	-0.04	10.39	10.21	291	6,040
Jul	10.27	-0.04	10.27	10.13	99	3,325
Total					15,336	130,089

■ COTTON NYCE (50,000lbs; cents/lbs)

May	83.00	+0.30	83.00	82.30	113	254
Jul	85.12	+0.76	85.20	84.20	5,136	24,234
Oct	83.95	+0.90	84.00	82.90	367	3,353
Dec	82.75	+0.52	82.80	82.01	3,025	25,597
Mar	83.50	+0.25	83.50	83.00	587	2,925
May	84.20	+0.20	83.75	83.50	46	1,299
Total					9,392	60,089

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	134.50	-1.50	135.10	133.80	1,131	2,431
Jul	134.25	-	134.40	133.50	1,593	14,263
Sep	132.30	-0.40	132.30	131.80	276	3,418
Nov	125.75	-0.50	-	-	111	894
Jan	123.50	-0.50	123.50	123.00	67	3,129
Mar	125.75	-0.20	126.00	126.00	14	255
Total					3,661	24,646

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 30	Apr 29	month ago	year ago
2106.9	2125.8	2110.4	2324.3

■ CRB Futures (Base: 1967=100)

Apr 29	Apr 26	month ago	year ago
259.55	261.45	251.40	236.66

■ GSCI Spot (Base: 1970=100)

Apr 29	Apr 26	month ago	year ago
214.75	214.70	206.66	189.63

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett. Price	Day's change	High	Low	Vol	Open int
Jun	57.350	-0.225	57.850	56.100	9,104	34,373
Aug	59.750	-0.825	60.550	59.075	4,772	24,832
Oct	61.850	-0.825	62.500	61.550	3,530	17,531
Dec	60.600	-0.850	61.150	60.250	4,780	10,812
Feb	61.350	-0.400	61.750	61.200	1,021	8,358
Apr	63.925	-0.100	63.900	63.550	225	1,547
Total					23,516	97,492

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jun	59.750	+1.400	59.850	58.200	4,013	17,832
Jul	57.875	+0.625	58.450	57.150	2,079	7,739
Aug	53.275	+0.175	53.650	52.800	1,578	5,426
Oct	48.275	-0.125	48.700	48.200	687	3,915
Dec	51.075	-0.275	51.600	50.950	650	3,852
Feb	71.775	-0.475	72.000	71.550	107	695
Total					9,226	39,356

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	86.225	+2.000	86.225	86.225	462	3,844
Jul	85.350	+2.000	85.350	84.200	836	5,261
Aug	82.725	+2.000	82.725	81.725	169	1,767
Feb	80.700	+0.600	82.100	81.700	28	462
Mar	82.500	+0.750	82.800	82.100	6	18
May	83.700	+1.850	83.700	-	8	45
Total					1,509	11,397

LONDON TRADED OPTIONS

Strike price $ tonne	Calls Jun	Calls Sep	Puts Jun	Puts Sep
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	113	155	3	15
1600	35	86	23	44
1700	4	41	92	97
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2400	225	168	3	28
2500	133	104	8	62
2600	60	58	35	113
■ COFFEE LCE	Jul	Sep	Jul	Sep
1900	66	143	204	283
1950	54	126	242	316
2000	44	116	282	356
■ COCOA LCE	Jul	Sep	Jul	Sep
875	197	224	-	5
900	174	202	1	9
925	151	181	1	13
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1900	57	58	38	-
1950	41	46	53	-
2000	25	34	-	-

LONDON SPOT MARKETS

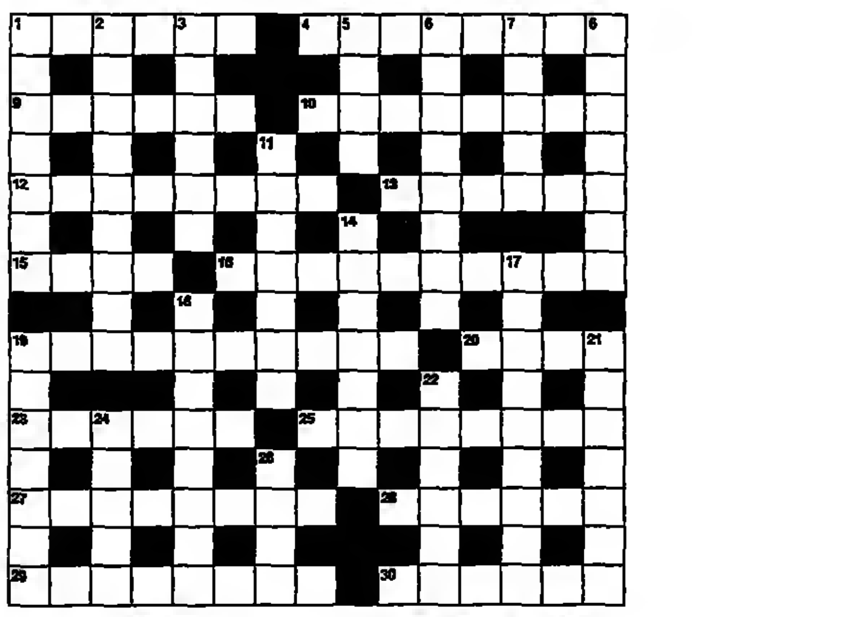
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.25-7.35x	-0.425
Brent Blend (dated)	$19.50-9.52	-0.54
Brent Blend (June)	$19.26-9.28	-0.56
W.T.I.	$21.30-1.32x	-1.065
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$234-236	-0.5
Gas Oil	$167-169	-4.5
Heavy Fuel Oil	$104-106	-1.5
Naphtha	$196-198	-2
Jet fuel	$190-192	-1.5
Diesel	$168-170	-5.5
■ NATURAL GAS (Pence/therm)		
Bacton (May)	9.35-9.45	+0.05
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$391.60	+0.45
Silver (per troy oz)♣	533.50c	+3.0
Platinum (per troy oz.)	$400.75	-1.25
Palladium (per troy oz.)	$128.75	-1.75
Copper	127.0c	-6.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	16.20r	
Tin (New York)	305.50	+2.0
Cattle (live weight)	106.58p	-1.98*
Sheep (live weight)	169.71p	+8.47*
Pigs (live weight)†	109.02p	+0.45*
Lon. day sugar (raw)	$265.50	-2.50
Lon. day sugar (wte)	$377.50	-0.50
Barley (Eng. feed)	114.40	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	98.50p	-0.25
Rubber (Jul)♥	98.50p	-0.25
Rubber (KL RSS No1)	363.50m	-2.50
Coconut Oil (Phil)§	$830.0v	
Palm Oil (Malay.)§	$585.0v	
Copra (Phil)§	$505.0v	
Soyabeans (US)	223.0v	-10.0
Cotton Outlook 'A' index	82.35c	
Wooltops (64s Super)	430p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x June. v Apr/May. y Apr/Jun. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,860 head of pigs sold.

JOTTER PAD

CROSSWORD

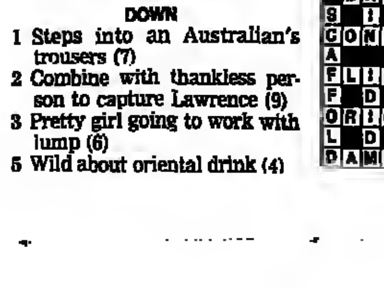
No.9,057 Set by DOGBERRY



ACROSS
1 Rumpus in bone dry hollow (6)
4 Moon is twice involved in sin of sorts (8)
9 Conductor's solo part in Toy Symphony (6)
10 Stop fool eating copper in the capital (8)
12 Philanthropist's erstwhile puppy love for German flower (2-6)
13 One of two, say, recoiling from spasm (6)
15 Dodge turncoats? (4)
16 Treaty, devised at Christmas, left unfinished (10)
19 Pass on in change of taste (10)
20 Dynasty with zest (4)
23 Stabilise the craft of Charon (6)
25 Activist settled on one in brand new condition (8)
27 It's unusual to take a drink during exam (8)
28 Crest including a king's burial place (6)
29 Of similar ilk to Sahara (but not southern) (8)
30 Compiler's taking in editor's French article on pastiche (6)

DOWN
1 Steps into an Australian's trousers (7)
2 Combine with thankless person to capture Lawrence (9)
3 Pretty girl going to work with lump (8)
5 Wild about oriental drink (4)
6 May be trusted to break law in the beginning (8)
7 Old S. American doing time in N. America? (5)
8 An uplifting odour of buds, say (7)
11 Overdue to be dead, put in place of rest (7)
14 Unusually aware of tipsy chicks (7)
17 Brush of church leader with Henry, embracing a wife of his (9)
18 Finish off item of cuisine including stewed mole (8)
19 Bird to use beak to secure a firm (7)
21 Acquire a means of escape (7)
22 Outlaw dish containing vermin (6)
24 Rise, having first caught cold (5)
26 Just as pretty (4)

Solution 9,056



INTERNATIONAL CAPITAL MARKETS

Treasuries tumble on signs of economic strength

By Lisa Bransten in New York and Samer Iskandar in London

Further signs that the US economy is strengthening caused fears in the Treasury market yesterday that employment data due on Friday could prove a third set of strong numbers and sent bond prices lower in early trading.

Near midday, the benchmark 30-year Treasury was 1/32 lower at 88 1/2 to yield 6.885 per cent and the two-year note was down 1/32 at 99 7/8, yielding 6.026 per cent. The June Treasury bond future was 1/32 lower at 109 1/4.

Figures on April consumer confidence and a report from the Chicago Association of Purchasing Management both indicated that there was steam left in the economic rebound seen so far this year.

The Conference Board's index of consumer confidence jumped 6.9 points to 105.3, the highest level since May 1990.

That suggested that consumer demand could continue to add life to the economy.

Meanwhile, the Chicago purchasing agents' association put its index of economic activity in April at 52, up from 47.3 in March. Anything above 50 is generally considered a sign of an expanding economy.

While the Chicago report only addresses business activity in the mid-west region, it is taken as a harbinger of the report due today from the National Association of Purchasing Management.

Mr Kevin Studer, a senior fixed-income trader at First Chicago NBD, said the numbers were making investors nervous about the possibility that Friday's report on April employment could show stronger than expected job growth, as the February and March reports did.

"People who might have been thinking that maybe these past few [employment] numbers have been flukes don't really have a lot to lean on, except maybe wishful thinking," he said.

He added that activity was relatively quiet after a wave of selling provoked by the new data and he expected trading to stay in a relatively narrow range until after the jobs data.

GOVERNMENT BONDS

Slipping commodity prices provided some support to the bond market. In early trading, the closely watched Knight Ridder-Commodity Research Bureau commodity index dropped 4 points to 255.55.

■ Italian bonds ignored the bearish US data and resumed their rally. Liffe's June BTP future settled at 114.32, up 0.46. In the cash market, the 10-year benchmark BTP rose by 0.17 to 99.31. The yield spread over German bunds narrowed by 11 basis points to 344 points.

According to Mr David Brown, chief international economist at Bear Stearns in London, the potential for further ontperformance is still very strong.

He believes the lira could re-enter the European exchange rate mechanism soon after the formation of a coalition government, possibly in the coming weeks.

Such an announcement, which is "not priced into the market", would boost Italian bonds dramatically, with shorter maturities benefiting most.

Futures contracts on three-month eurolira rates yesterday reflected anticipation of a 90 basis point easing before year-end, but Mr Brown believes short-term rates could fall as much as 400 basis points.

■ Spanish bonds also closed higher, but off their intra-day highs. Meff's June future on 10-year bonos closed at 98.83, up 0.23, but below the 99.16 level reached earlier.

■ French OATs ended the day mostly flat. The June notional future on Matif settled at 123.58, unchanged on the day. A high of 123.74 had been reached in early trading, after the release of data showing a slight increase in the unemployment rate to 11.9 per cent in March.

Mr Brown, at Bear Stearns, said this figure was "a strong argument in favour of a rate cut" by the central bank. In the cash market, the 7¼ per cent OAT due 2006 rose 0.03 to 106.13, halving the yield spread over 10-year bunds to 3 basis points.

Mr Brown believes this spread could soon turn negative, as overseas investors, who have been under-exposed to the French market, start buying OATs.

■ Both German bund and UK gilt prices were hit by the bearish data from the US, and showed the poorest performances among European markets.

Liffe's June bund future settled at 97.01, down 0.14 on the day. In the cash market, the 10-year benchmark fell by 0.22 points to 97.33. However, the 10-year yield premium of US Treasuries over German bunds widened to a record 50 basis points.

Mr Brown expects further outperformance by bunds, with the 10-year yield spread reaching the 75 basis point level, possibly before the end of June, as German and US economic fundamentals continue to diverge.

Liffe'a June gilt future closed 5/32 lower at 106 1/32. Few analysts expect an improvement in gilt performance in the near future, with political uncertainty likely to weigh on the market.

UK move to block power bids creates rush of liquidity

By Antonia Sharpe

If the syndicated loans market had been starting to look swamped in recent weeks, the threat of oversupply has been lifted – temporarily, at least – by the UK government's decision last week to block bids by National Power and PowerGen for two electricity companies.

SYNDICATED LOANS

The unexpected ontcome meant that about £4bn of loans poised to be launched into general syndication in order to finance the transactions had to be withdrawn, creating a sudden rush of liquidity into the market.

Although this development no doubt helped the other big facilities already in syndication – Railtrack and National Grid – it has done little to allay bankers' worries that the market remains in danger of becoming congested if tha widely-rumoured bids in the UK electricity sector go ahead.

Some bankers beliave the market would be called upon to lend as much as £35bn to finance the acquisitions, though a large part of this would be refinancing existing loans to tha sector.

"If all the deals hit the market at the same time, there will be serious congestion – so it all has to be managed very carefully," one banker said.

The apprehension about the high proportion of loans going to the electricity sector comes at a tims when the market is dividing into two camps: those banks which are becoming more cautious, and those which, in the words of one observer, "are still lending money like confetti".

Some banks, notably the UK clearers and the larger Japanese houses, are becoming more selective about who they lend to, whereas their German counterparts still appear to have a large appetite.

Another worrying sign is that while less than a year ago most loans were done on a "club" basis of no more than six to eight banks, banking groups have been getting much larger in recent weeks, which suggests that arrangers are having to go to a greater number of banks to get deals done.

However, some bankers say that the larger groups reflect the freer style of syndication permitted with M&A-related facilities.

Bot although there seems to be a widespread view that the market is bumping along the bottom of its current cycle, competition for mandates remains fierce and liquidity is still relatively high.

Among facilities already in the market, the five-year loan for Irish Permanent Building Society, which was raised to I£161m from I£100m because of strong demand, was aigned yesterday. A total of 18 banks, including arranger UBS, participated in the transaction.

The $500m seven-year facility for Nokia, the Finnish telecoms company, is oversubscribed and due to close today and the $1.1bn seven-year facility for Volvo, the Swedish vehicle maker, is almost fully subscribed and is about to close.

More recent transactions include a $150m six-year facility for the multinational engineering group, Rauma Corporation. The loan, which is being arranged by Deutsche, Enskilda and Merita, carries an interest margin of 20 basis points over Libor for years one to four, rising to 22.5 basis points in the final two years. The facility was launched into general syndication this week.

Bank Handlowy three-year offer heavily oversubscribed

By Conner Middelmann

The eurobond market saw a sprinkling of new issues yesterday, but with Japan closed for Golden Week and much of Europe on holiday today, activity was fairly subdued.

However, tbe market's lethargic mood didn't damp the reception for the long-awaited $100m three-year offering for Polish state-owned Bank Handlowy, the country's leading commercial bank. According to lead manager J.P. Morgan, the deal was heavily oversubscribed and placed predominantly with fund managers and banks in Europe and Asia.

It was the first offering of Polish paper since the republic's debut deal in June 1995, and the pricing of Handlowy's bonds relative to that deal illustrates the strong performance of eastern European over recent months.

Bank Handlowy's bonds were priced to yield 88 basis points more than US Treasuries – compared with a 185 basis point launch spread on the sovereign issue last summer. That now trades at around 85 basis points over Treasuries.

INTERNATIONAL BONDS

Banks are currently bidding for the mandate to arrange Poland's forthcoming D-Mark debut, estimated to be for DM300m to DM500m of five-year or seven-year paper.

In the Italian lira sector, Toyota Motor Credit Corporation issued the first fixed-rate bond since the Italian elections, which have given a significant boost to Italy's bonds and currency.

"It's the first time in a long time we've seen broad institutional interest in lire – people have been underweight for so long," said a syndicate official at lead manager SBC Warburg. TMCC issued L200bn of three-year bonds with a coupon of 8.6 25 per cent.

A $300m two-year deal for SBC Jersey also saw good demand, despite its pricing at a spread of 4 basis points below Treasuries.

The bonds were bought mainly by Swiss and Benelux retail investors, but also by institutions counting on further spread outperformance.

Indeed, the apread on a recently issued two-year bond for DSL has moved from minus 3 basis points at launch to minus 30 basis points.

The spread on SBC's paper yesterday shifted to 7 basis points below Treasuries, said a syndicate official at SBC Warburg.

In the D-Mark sector, IMI Bank increased a DM200m floating-rata note offering launched in January by another DM300m.

"Spreads in the D-Mark floating-rate market have been moving In a lot lately, and there's not much Italian paper around," said an official at lead manager SBC Warburg.

● Elsewhere, Colombia's finance ministry said the country will go ahead with plans to issue a $300m five-year bond, despite the resignation on Saturday of Mr Guillermo Perry, finance minister, Renter reports from Bogota.

"We're not modifying tha bond issue programme," the ministry said.

The issue is expected in late May or early June.

● Meanwhile, an official said Russia would issue its long-awaited eurobond immediately after the presidential elections in June. It had previously been expected in the third quarter at the earliest. J.P. Morgan and SBC Warburg have been appointed to arrange the deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
SBC Jersey	300	6.00	99.94R	May 1998	0.125R	-4(5⅞%-98)	SBC Warburg
ML RHEL Series 1996-1(a)‡	284.7	(a1)	100.00R	Jan 2003	0.35R	-	Merrill Lynch & Co
Credit National(b)‡	100	(b1)	99.84R	Nov 2005	0.40R	-	Morgan Stanley & Co Intl
Bank Handlowy Capital Warsaw	100	7.00	99.88R	May 1999	0.50R	+88(5%-99)	JP Morgan Securities
Unibanco	100	9.625#	99.935R	May 1999	1.00R	+352(5%-99)	Chase Investment Bank
D-MARKS							
IMI Bank (Intl) Cayman Is(c)‡	300	(c)	100.026R	Feb 2001	8.15R	-	SBC Warburg
ITALIAN LIRE							
Toyota Motor Credit Corp	200bn	8.625	101.345	May 1999	1.375	-	SBC Warburg

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. # Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) ML Revolving Home Equity Loan Asset Backed Certificates. Legal maturity: 25/6/06. 10% clean-up call. Average life: 4 yrs. a1) 1-mth Libor +23bp. b) Fungible with $150m. Plus 10 days accrued. Callable from Nov 2000 at par. b1) 3-mth Libor +50bp to Nov 2000 then +125bp. c) 3-mth Libor +12½bp. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.5760	-	8.70	8.97	8.91
Austria		8.125	02/06	98.2000	-0.100	6.37	6.53	6.62
Belgium		7.000	05/06	102.6500	-0.190	6.83	6.80	6.83
Canada *		8.750	12/05	106.4100	-0.410	7.78	7.70	7.74
Denmark		8.000	03/06	105.2400	-0.220	7.23	7.20	7.60
France	BTAN	5.750	03/01	101.0000	-0.750	5.49	5.56	5.90
	OAT	7.250	04/06	106.1300	+0.030	6.40	6.41	6.66
Germany Bund		8.000	02/06	87.3300	-0.220	6.37	6.34	6.48
Ireland		8.000	08/06	103.4500	-0.190	7.50	7.54	7.99
Italy		9.500	02/06	99.2100	-0.170	9.88	9.80	10.41
Japan	No 140	6.600	06/01	118.5310	-0.090	2.52	2.41	1.91
	No 182	3.000	09/05	97.3990	+0.590	3.37	3.31	3.20
Netherlands		8.000	01/06	[illegible]	[illegible]	6.26	6.53	[illegible]
Portugal		11.875	02/05	117.5300	+0.080	8.90	8.86	9.72
Spain		10.150	01/06	106.1200	+0.240	9.14	9.09	9.87
Sweden		6.000	02/05	85.5280	-0.110	8.21	8.28	8.70
UK Gilts		8.000	12/00	102-11	-4/32	7.36	7.39	7.39
		7.500	12/06	98-06	-8/32	8.04	8.00	8.05
		9.000	10/08	105-15	-9/32	8.15	8.09	8.17
US Treasury *		5.625	02/06	92-22	-14/32	6.65	6.52	6.35
		6.000	02/26	86-27	-19/32	6.89	6.75	6.57
ECU (French Govt)		7.500	04/05	104.6700	-0.190	6.79	6.75	7.22

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents) Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9700	0.52	0.40	0.60	0.74	0.51	1.30	1.50	1.64
9750	0.29	0.26	0.45	0.56	0.78	1.66	1.85	1.96
9800	0.14	0.16	0.32	0.41	1.13	2.06	2.22	2.31

Est. vol. total, Calls 11715 Puts 10686. Previous day's open int., Calls 213146 Puts 163693

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Apr 30	Day's change %	Mon Apr 29	Accrued interest	xd adj. ytd		Low coupon yield Apr 30	Apr 29	Yr. ago	Medium coupon yield Apr 30	Apr 29	Yr. ago	High coupon yield Apr 30	Apr 29	Yr. ago
1 Up to 5 years (23)	122.08	-0.03	122.09	2.69	2.72	5 yrs	7.46	7.43	8.35	7.51	7.48	8.40	7.61	7.59	8.54
2 5-15 years (19)	145.78	-0.17	146.02	2.73	3.36	15 yrs	8.15	8.16	8.35	8.20	8.19	8.43	8.29	8.27	8.63
3 Over 15 years (9)	160.83	+0.01	160.82	3.27	3.48	20 yrs	8.26	8.23	8.33	8.26	8.24	8.43	8.33	8.31	8.57
4 Irredeemables (6)	184.87	-0.31	185.45	4.63	1.47	Irred.†	8.30	8.27	8.37						
5 All stocks (57)	141.56	-0.09	141.68	2.87	3.14										
Index-linked							Inflation 5% Apr 30	Apr 29	Yr. ago				Inflation 10% Apr 30	Apr 29	Yr. ago
6 Up to 5 years (1)	195.69	+0.03	195.62	0.10	4.43	Up to 5 yrs	2.57	2.56	3.35				1.15	1.18	1.87
7 Over 5 years (11)	187.27	+0.01	187.25	1.29	1.33	Over 5 yrs	3.71	3.71	3.76				3.50	3.50	3.58
8 All stocks (12)	187.33	+0.01	187.32	1.27	1.40										

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 30

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar stable against yen but D-Mark heads lower

By Graham Bowley

The dollar yesterday staged a mild recovery against the yen, reversing some of its recent losses, but the D-Mark fell sharply against both the yen and dollar.

The dollar's recovery came in spite of continued market pessimism that the US currency still has further to fall after its recent declines.

Both the dollar and the D-Mark have weakened markedly against the yen in recent sessions due to growing expectations that Japanese short-term interest rates may soon start to rise as the economy recovers.

The D-Mark has been particularly vulnerable to these expectations due to the weakness of the German economy and the suspicion that German interest rates may yet fall further.

But the dollar yesterday bucked the trend, supported in part by stronger than expected US economic data which helped bolster expectations of higher US interest rates.

Its recovery came despite the absence of central bank support for the US currency.

Dealers were again on alert for any intervention, particularly by the Bank of Japan. They believe the central bank will not allow the yen to strengthen to such an extent that it endangers early signs of growth in the Japanese economy.

The D-Mark's fragility against the yen and dollar caused it to weaken against most other European currencies, with sterling, the Italian lira and the Spanish peseta making strong gains.

The pound finished in London against the D-Mark at DM2.3012, from DM2.2853 at the previous close. However, it remained vulnerable against the dollar, closing at $1.5006, from $1.5088.

Elsewhere, the South African rand enjoyed a more stable day after its recent declines despite the first large strike – staged by the country's main union federation – since the end of apartheid. It firmed in late trading to around R4.32 against the dollar, from R4.3625.

The dollar finished in London at Y104.7550 from Y104.585, having earlier dropped close to Y104.00.

Against the D-Mark it finished at DM1.5336 from DM1.5213.

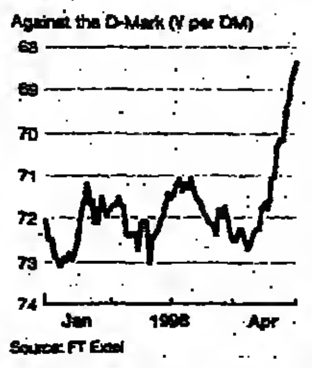
Against the yen, the D-Mark finished at Y68.32 from Y68.76.

The Swiss franc was one of the casualties of the dollar's strength. It ended at a fifteen month low against the dollar.

■ Pound in New York

Apr 30	— Latest —	— Prev. close —
£ spot	1.5030	1.5080
1 mth	1.5022	1.5072
3 mth	1.5010	1.5059
1 yr	1.4970	1.5010

Yen



Source: FT Extel

■ The dollar/yen rate was again commanding much of the markets' attention yesterday as speculation revolved around how far the US currency might still have to fall following big declines in previous sessions.

There was also much talk about how far the US and Japanese authorities would allow the yen to strengthen before they stepped in to provide support for the dollar.

There were no clear signs of central bank intervention, although there were rumours that the US Federal Reserve had begun to take some soundings on currency rates in New York.

Pessimism about the dollar's fortunes against the yen has been triggered by speculation that a turning point might have been reached in the Japanese interest rate cycle.

But most analysts have been quick to suggest that while Japanese rates may be set to rise in the medium-term, there was still little chance of tighter monetary policy in the near term.

Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said the Bank of Japan was likely to step in to lift the dollar closer to Y110 once the present dollar weakness eased.

He said the central bank would "not want to quash economic growth" while inflation was still virtually zero, annual growth in domestic yen-denominated bank lending was still less than 1 per cent and M2 money supply was growing by only 3.2 per cent.

■ The D-Mark failed to emulate the dollar's recovery, remaining weak against the yen and falling to fresh lows against the US currency.

Traders were beginning to focus on tomorrow's Bundesbank council meeting, although few expected a change in German interest rates.

Dealers said trading conditions were thin – which exaggerated market movements – with most market activity on hold ahead of European holidays this week and key US employment data on Friday.

■ OTHER CURRENCIES

Apr 30	£	$
Czech Kr	41.0305 - 41.1250	27.3500 - 27.3600
Hungary	221.670 - 221.645	147.760 - 147.810
Iran	4502.73 - 4539.60	3000.00 - 3000.00
Kuwait	0.4493 - 0.4500	0.2995 - 0.2998
Poland	3.9838 - 3.9987	2.6520 - 2.6550
Russia	7445.49 - 7451.37	4963.00 - 4965.00
U.A.E.	5.5096 - 5.5123	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1886	+0.0411	821 - 971	16.2422	16.1543	16.1583	2.3	16.0933	2.6	-	-	104.8
Belgium	(BFr)	47.2899	-0.017	713 - 084	47.4630	47.2040	47.1849	2.7	46.9749	2.7	45.9549	2.8	108.7
Denmark	(DKr)	8.8720	+0.0217	677 - 763	8.9009	8.8563	8.8566	2.1	8.8238	2.2	8.6805	2.2	107.8
Finland	(FM)	7.2808	+0.0079	734 - 881	7.3080	7.2730	7.2784	0.7	7.2683	0.7	-	-	80.9
France	(FFr)	7.7668	+0.0183	658 - 717	7.7966	7.7394	7.7547	2.2	7.7286	2.2	7.5939	2.3	109.3
Germany	(DM)	2.3012	+0.0059	000 - 024	2.3082	2.2957	2.2963	2.6	2.2858	2.7	2.2355	2.9	108.1
Greece	(Dr)	363.999	+0.444	529 - 469	367.362	365.520	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9668	+0.0004	660 - 676	0.9690	0.9644	0.966	1.0	0.9647	0.9	0.9579	0.9	95.1
Italy	(L)	2347.78	-0.26	666 - 891	2365.06	2345.92	2356.03	-4.2	2371.13	-4.0	2423.83	-3.2	75.7
Luxembourg	(LFr)	47.2899	-0.017	713 - 084	47.4630	47.2040	47.1849	2.7	46.9749	2.7	45.9549	2.8	108.7
Netherlands	(Fl)	2.5747	+0.0098	730 - 763	2.5834	2.5711	2.5684	3.0	2.5556	3.0	2.4985	3.0	108.9
Norway	(NKr)	9.8775	+0.0096	703 - 846	9.9204	9.8538	9.8685	1.1	9.8494	1.1	9.7537	1.3	98.5
Portugal	(Es)	235.887	+0.801	756 - 017	236.629	235.243	236.312	-2.2	237.217	-2.3	-	-	95.0
Spain	(Pta)	191.125	+0.487	036 - 245	191.645	190.616	191.435	-1.9	191.93	-1.7	193.585	-1.3	81.6
Sweden	(SKr)	10.1997	+0.0207	901 - 093	10.2592	10.1874	10.2009	-0.1	10.2026	-0.1	10.2048	-0.1	88.8
Switzerland	(SFr)	1.8877	+0.0091	865 - 889	1.8724	1.8604	1.8815	4.0	1.8487	4.1	1.781	4.1	112.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.4
Ecu	-	1.2234	+0.0017	228 - 240	1.2284	1.2217	1.2221	1.3	1.2191	1.4	1.2058	1.4	-
SDR†	-	1.041000	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4946	-0.0082	937 - 952	1.5097	1.4935	-	-	-	-	-	-	-
Brazil	(R$)	1.4889	-0.0081	883 - 895	1.5018	1.4878	-	-	-	-	-	-	-
Canada	(C$)	2.0430	-0.0131	421 - 438	2.0553	2.0407	2.0423	0.4	2.0397	0.6	2.0306	0.6	84.8
Mexico	(New Peso)	11.1659	-0.0468	795 - 922	11.2355	11.1760	-	-	-	-	-	-	-
USA	($)	1.5006	-0.0082	002 - 009	1.5099	1.4990	1.4998	0.6	1.4985	0.5	1.4938	0.5	95.4
Pacific/Middle East/Africa													
Australia	(A$)	1.9085	-0.0085	074 - 095	1.9211	1.9037	1.9111	-1.6	1.9161	-1.6	1.9414	-1.7	82.3
Hong Kong	(HK$)	11.6075	-0.0623	040 - 110	11.6786	11.5955	11.5994	0.8	11.5878	0.7	11.566	0.2	-
India	(Rs)	52.1442	+0.575	569 - 315	52.5400	51.6580	-	-	-	-	-	-	-
Israel	(Shk)	4.7932	-0.0204	886 - 975	4.8223	4.7885	-	-	-	-	-	-	-
Japan	(Y)	157.190	-0.616	101 - 278	158.370	156.930	156.485	5.5	154.875	5.6	148.56	5.5	140.2
Malaysia	(M$)	3.7421	-0.0182	404 - 437	3.7645	3.7390	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.1850	-0.012	834 - 866	2.2012	2.1830	2.19	-2.7	2.1995	-2.6	2.2335	-2.2	107.5
Philippines	(Peso)	39.2544	-0.2296	832 - 256	39.4380	39.1850	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6275	-0.0308	259 - 291	5.6823	5.6220	-	-	-	-	-	-	-
Singapore	(S$)	2.1098	-0.0112	085 - 110	2.1216	2.1083	-	-	-	-	-	-	-
South Africa	(R)	6.4861	-0.0856	771 - 951	6.6204	6.4770	-	-	-	-	-	-	-
South Korea	(Won)	1167.80	-7.52	746 - 815	1175.00	1166.87	-	-	-	-	-	-	-
Taiwan	(T$)	40.7707	-0.2198	589 - 825	41.0225	40.7308	-	-	-	-	-	-	-
Thailand	(Bt)	37.8869	-0.1644	650 - 127	38.1220	37.8650	-	-	-	-	-	-	-

† Rates for Apr 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7891	+0.0859	866 - 916	10.8085	10.7100	10.6837	2.2	10.7276	2.3	10.5441	2.3	104.7
Belgium	(BFr)	31.6150	-0.16	100 - 200	31.5750	31.2860	31.3	2.1	31.345	2.2	30.805	2.3	106.5
Denmark	(DKr)	5.9125	+0.0495	110 - 140	5.9235	5.8718	5.9285	1.5	5.888	1.7	5.819	1.6	106.9
Finland	(FM)	4.8521	+0.0316	483 - 558	4.8683	4.8235	4.814	1.8	4.8336	1.5	4.7681	1.3	80.1
France	(FFr)	5.1773	+0.0403	765 - 780	5.1851	5.1434	5.18	1.6	5.1561	1.6	5.0963	1.7	109.0
Germany	(DM)	1.5336	+0.0129	331 - 340	1.5370	1.5222	1.5188	2.0	1.5253	2.2	1.4971	2.4	107.7
Greece	(Dr)	243.910	+1.62	660 - 160	244.170	242.330	243.985	-8.3	248.835	-8.2	262.91	-7.6	66.6
Ireland	(I£)	1.5521	-0.0092	512 - 530	1.5640	1.5491	1.5518	-0.4	1.5535	-0.4	1.5451	0.5	-
Italy	(L)	1564.62	+2.37	423 - 500	1568.48	1561.15	1569.3	-4.8	1582.22	-4.5	1623.12	-3.7	74.8
Luxembourg	(LFr)	31.5150	+0.16	100 - 200	31.5750	31.2860	31.302	2.0	31.3555	2.0	30.875	2.0	106.5
Netherlands	(Fl)	1.7158	+0.0138	155 - 162	1.7174	1.7048	1.6887	2.4	1.7054	2.4	1.6737	2.5	106.5
Norway	(NKr)	6.5828	+0.0423	793 - 856	6.5953	6.5300	6.5373	0.5	6.5741	0.5	6.5378	0.7	97.6
Portugal	(Es)	157.200	+1.385	150 - 250	157.410	155.940	156.13	-2.4	158.105	-2.3	160.25	-1.9	95.2
Spain	(Pta)	127.370	+1.015	320 - 420	127.500	126.550	126.835	-2.4	128.05	-2.1	129.56	-1.7	81.5
Sweden	(SKr)	6.7973	+0.0507	925 - 021	6.8090	6.7538	6.7876	-2.0	6.8258	-1.7	6.8676	-1.0	88.5
Switzerland	(SFr)	1.2447	+0.0126	442 - 452	1.2475	1.2339	1.2394	3.5	1.2337	3.5	1.2005	3.6	112.1
UK	(£)	1.5006	-0.0082	002 - 009	1.5099	1.4990	1.508	0.6	1.4985	0.5	1.4938	0.5	83.4
Ecu	-	1.2266	-0.0084	262 - 269	1.2348	1.2239	1.2358	-0.7	1.229	-0.6	1.2378	-0.9	-
SDR†	-	0.68800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-	987 - 992	0.9999	0.9956	-	-	-	-	-	-	-
Brazil	(R$)	0.9923	+0.0001	921 - 924	0.9953	0.9919	-	-	-	-	-	-	-
Canada	(C$)	1.3615	-0.0019	612 - 617	1.3621	1.3586	1.3613	0.1	1.3616	0.0	1.3644	-0.2	83.6
Mexico	(New Peso)	7.4545	+0.0095	520 - 570	7.4580	7.4460	7.516	-26.0	7.801	-18.8	9.5845	-28.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2718	+0.0013	715 - 722	1.2723	1.2700	1.2738	-1.9	1.2773	-1.7	1.296	-1.9	93.6
Hong Kong	(HK$)	7.7355	+0.0008	350 - 360	7.7365	7.7347	7.7362	-0.1	7.738	-0.1	7.768	-0.4	-
India	(Rs)	34.7500	+0.57	000 - 000	35.0000	34.3000	34.9	-5.2	35.205	-5.2	36.675	-5.5	-
Israel	(Shk)	3.1943	+0.0039	921 - 964	3.1965	3.1785	-	-	-	-	-	-	-
Japan	(Y)	104.755	+0.16	720 - 790	105.150	104.050	104.31	5.1	103.41	5.1	99.67	4.9	140.6
Malaysia	(M$)	2.4938	+0.0015	933 - 943	2.4945	2.4916	2.4947	-0.4	2.5008	-1.1	2.5243	-1.2	-
New Zealand	(NZ$)	1.4560	-	554 - 569	1.4572	1.4550	1.4591	-2.6	1.4649	-2.4	1.4865	-2.3	-
Philippines	(Peso)	26.1600	-0.01	200 - 000	26.2000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-	501 - 505	-	-	-	-	-	-	-	-	-
Singapore	(S$)	1.4060	+0.0002	055 - 065	1.4068	1.4051	1.4024	3.0	1.3964	2.7	1.371	2.5	-
South Africa	(R)	4.3225	-0.04	175 - 275	4.3925	4.3165	4.3512	-8.0	4.4028	-7.4	4.626	-7.0	-
South Korea	(Won)	778.250	-0.75	200 - 300	779.100	778.200	-	-	-	-	-	-	-
Taiwan	(T$)	27.1705	+0.002	680 - 730	27.1725	27.1630	27.1605	-0.8	27.2305	-0.9	-	-	-
Thailand	(Bt)	25.2500	+0.015	400 - 600	25.2610	25.2400	25.3487	-4.7	25.5525	-4.8	26.495	-4.7	-

† SDR rate per $ for Apr 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 29: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

April 30	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3¼	3⅛	3¼	3⅜	7.00	2.50	-
week ago	3⅜	3½	3⅓	3¼	3⅛	7.00	2.50	-
France	3⅜	3⅝	3⅞	3½	3½	3.70	-	5.60
week ago	3⅞	3¾	3⅝	3⅝	3⅝	3.70	-	5.60
Germany	3¼	3¼	3⅛	3⅛	3¼	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3½	4.50	2.50	3.30
Ireland	5	4⅞	4⅞	5⅛	5⅛	-	-	6.25
week ago	4⅞	4⅞	4⅞	5⅛	5⅛	-	-	6.25
Italy	9⅜	9⅛	8⅞	8⅞	8⅝	-	9.00	9.32
week ago	9⅝	9⅛	9⅛	8⅞	8⅝	-	9.00	9.65
Netherlands	2⅝	2⅝	2⅝	2⅝	2⅞	-	3.00	3.30
week ago	2⅞	2⅝	2⅝	2⅝	2⅞	-	3.00	3.30
Switzerland	2⅛	1⅝	1⅝	1⅝	1⅝	5.00	1.50	-
week ago	1⅞	1⅝	1⅝	1⅝	1⅝	5.00	1.50	-
US	5⅜	5⅛	5⅜	5⅝	5⅞	-	5.00	-
week ago	5⅜	5⅜	5⅜	5⅜	5⅞	-	5.00	-
Japan	⅜	½	½	¾	1⅜	-	0.50	-
week ago	⅜	½	½	¾	1⅛	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅜	5⅜	5⅞	-	-	-
week ago	-	5⅝	5⅜	5⅜	5⅞	-	-	-
US Dollar CDs	-	5.13	5.12	5.24	5.55	-	-	-
week ago	-	5.13	5.15	5.24	5.52	-	-	-
ECU Linked Ds	-	4⅜	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅞	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅝	-	-	-
week ago	-	3⅛	3⅜	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3⅝ - 3½	3⅝ - 3½	3 11/16 - 3 9/16	3¾ - 3⅝
Danish Krone	3 31/32 - 3 29/32	3 31/32 - 3 29/32	3 15/16 - 3⅞	3 15/16 - 3⅞	3 15/16 - 3 29/32	4 - 3 15/16
D-Mark	3⅜ - 3¼	3⅜ - 3¼	3 5/16 - 3 3/16	3 9/32 - 3 5/32	3 5/16 - 3 3/16	3 7/16 - 3 5/16
Dutch Guilder	2 13/16 - 2 11/16	2 13/16 - 2 11/16	2¾ - 2 11/16	2¾ - 2 11/16	2¾ - 2 23/32	2 31/32 - 2⅞
French Franc	3 13/16 - 3 11/16	3 13/16 - 3 23/32	3 25/32 - 3 23/32	3⅞ - 3 23/32	3 29/32 - 3¾	4 1/16 - 3 29/32
Portuguese Esc.	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 11/16 - 7 9/16	7 1/16 - 6 15/16	7 1/16 - 6 15/16	7 3/16 - 6 15/16
Spanish Peseta	8 1/16 - 7 15/16	8 1/16 - 7 15/16	7 31/32 - 7 13/16	7 13/16 - 7 11/16	7⅞ - 7¾	7⅞ - 7¾
Sterling	6⅛ - 6	6⅛ - 6	6 1/32 - 5 29/32	6 1/32 - 5 15/16	6 3/32 - 6 1/32	6 13/32 - 6 9/32
Swiss Franc	1 13/16 - 1 11/16	1 13/16 - 1 11/16	1 13/16 - 1 11/16	1 11/16 - 1 9/16	1 13/16 - 1 11/16	2 - 1⅞
Can. Dollar	4¾ - 4⅝	4 13/16 - 4⅝	4¾ - 4⅝	4 13/16 - 4 11/16	5 - 4⅞	5 7/16 - 5 5/16
US Dollar	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5⅜ - 5¼	5 7/16 - 5¼	5½ - 5⅜	5¾ - 5⅝
Italian Lira	9⅝ - 8⅞	9 1/16 - 8 15/16	9⅛ - 9	8 31/32 - 8 27/32	8 29/32 - 8⅝	8 13/16 - 8 11/16
Yen	½ - ⅜	½ - ⅜	⅝ - ½	⅝ - ½	⅞ - ¾	1 3/32 - 1 1/32
Asian $Sing	3⅜ - 3¼	2⅝ - 2½	2⅜ - 2¼	2⅜ - 2¼	2⅝ - 2¼	2⅝ - 2½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.12	96.13	+0.01	96.14	96.10	13,839	58,051
Sep	96.13	96.13	-	96.14	96.10	4,810	48,920
Dec	95.98	95.98	+0.01	95.99	95.96	3,533	27,827

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.85	96.85	-0.01	96.96	96.84	17930	214033
Sep	96.86	96.86	-	96.88	96.85	12849	233373
Dec	96.68	96.67	-0.01	96.69	96.66	11175	195115
Mar	96.38	96.35	-0.01	96.39	96.34	9817	129058

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.22	91.32	+0.09	91.34	91.20	15220	50073
Sep	91.75	91.85	+0.05	91.89	91.75	4361	31678
Dec	91.97	92.06	+0.07	92.07	91.97	1650	22398
Mar	91.96	92.01	+0.07	92.03	91.96	565	9021

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.17	98.15	-0.01	98.20	98.15	3417	24809
Sep	98.14	98.13	-0.01	98.18	98.12	3961	17158
Dec	97.90	97.88	-0.02	97.93	97.88	892	11329
Mar	97.62	97.57	-0.02	97.62	97.57	202	3951

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.11	99.11	-0.01	99.11	99.11	90	na
Sep	98.81	98.80	-0.03	98.81	98.79	102	na
Dec	98.49	98.48	-0.03	98.49	98.47	400	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.83	95.82	-0.02	95.85	95.82	1117	9448
Sep	95.86	95.85	-0.01	95.88	95.85	810	4824
Dec	95.71	95.68	-0.02	95.72	95.68	481	3181
Mar	95.44	95.43	-0.01	95.44	95.44	40	1964

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.76	16.43	4.866	2.045	4965	5.445	20.89	498.8	404.1	21.57	3.950	2.115	4.320	3.174	332.4	2.586
Denmark	(DKr)	53.30	10	6.757	2.594	1.090	2647	2.902	11.13	265.8	215.4	11.50	2.106	1.127	2.303	1.692	177.2	1.378
France	(FFr)	60.87	11.42	10	2.962	1.245	3022	3.314	12.71	303.6	246.0	13.13	2.404	1.287	2.630	1.932	202.3	1.574
Germany	(DM)	20.55	3.856	3.376	1	0.420	1020	1.119	4.292	102.5	83.06	4.433	0.812	0.435	0.888	0.652	68.32	0.532
Ireland	(I£)	48.90	9.175	8.034	2.380	1	2428	2.663	10.21	244.0	197.6	10.55	1.932	1.034	2.113	1.552	162.6	1.265
Italy	(L)	2.014	0.378	0.331	0.098	0.041	100.	0.110	0.421	10.05	8.139	0.434	0.080	0.043	0.087	0.064	6.695	0.052
Netherlands	(Fl)	18.37	3.445	3.017	0.894	0.376	911.8	1	3.836	91.01	74.21	3.961	0.725	0.388	0.793	0.583	61.05	0.475
Norway	(NKr)	47.88	8.982	7.866	2.330	0.979	2377	2.607	10	238.8	193.5	10.33	1.891	1.012	2.068	1.520	159.2	1.238
Portugal	(Es)	20.05	3.761	3.293	0.975	0.410	995.3	1.092	4.187	100.	81.01	4.324	0.792	0.424	0.866	0.636	66.64	0.518
Spain	(Pta)	24.75	4.643	4.065	1.204	0.506	1229	1.347	5.168	123.4	100.	5.338	0.977	0.523	1.069	0.785	82.26	0.640
Sweden	(SKr)	46.36	8.696	7.617	2.256	0.948	2302	2.525	9.683	231.3	197.4	10	1.831	0.980	2.003	1.472	154.1	1.199
Switzerland	(SFr)	25.32	4.748	4.159	1.232	0.518	1257	1.378	5.287	126.3	102.3	5.460	1	0.535	1.094	0.804	84.15	0.655
UK	(£)	47.29	8.872	7.769	2.301	0.967	2348	2.575	9.877	235.9	191.1	10.20	1.868	1	2.043	1.501	157.2	1.223
Canada	(C$)	23.15	4.343	3.803	1.126	0.473	1149	1.260	4.835	115.5	93.54	4.993	0.914	0.489	1	0.735	76.95	0.599
US	($)	31.51	5.911	5.176	1.533	0.644	1564	1.716	6.580	157.2	127.3	6.795	1.245	0.666	1.361	1	104.7	0.815
Japan	(Y)	30.08	5.644	4.942	1.464	0.615	1494	1.638	6.283	150.1	121.6	6.488	1.188	0.636	1.300	0.955	100.	0.778
Ecu		38.67	7.254	6.352	1.881	0.791	1920	2.105	8.076	182.9	156.3	8.340	1.527	0.818	1.670	1.227	128.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6565	0.6551	-0.0018	0.6565	0.6551	23,372	87,284
Sep	0.6609	0.6592	-0.0015	0.6600	0.6592	97	3,573
Dec	-	0.6663	-	0.6663	0.6663	182	591

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9609	0.9612	+0.0004	0.9648	0.9612	42,840	65,555
Sep	0.9755	0.9733	+0.0012	0.9760	0.9733	351	2,391
Dec	-	0.9862	-	-	-	63	1,188

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8118	0.8091	-0.0025	0.8120	0.8091	16,618	43,230
Sep	0.8182	0.8170	-0.0019	0.8184	0.8170	183	1,705
Dec	-	0.8280	-	-	-	22	683

■ STERLING FUTURES (IMM) $62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5060	1.5044	-0.0012	1.5076	1.5044	6,702	58,129
Sep	1.5040	1.5040	-0.0002	1.5040	1.5040	47	156
Dec	-	1.5040	+0.0012	1.5040	1.5010	6	34

UK INTEREST RATES

LONDON MONEY RATES

Apr 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 5½	6¼ - 5 15/16	6 1/16 - 5 15/16	6⅛ - 6	6 3/16 - 6	6 7/16 - 6 5/16
Sterling CDs	-	-	6 - 5 15/16	6 - 5 15/16	6 3/32 - 5 31/32	6 9/32 - 6 5/32
Treasury Bills	-	-	5 29/32 - 5 27/32	5⅞ - 5 13/16	-	-
Bank Bills	-	-	5 15/16 - 5⅞	5 29/32 - 5 27/32	5⅞ - 5 13/16	-
Local authority deps.	5 15/16 - 5 13/16	5 15/16 - 5 13/16	6 - 5⅞	6 - 5⅞	6 1/16 - 5 15/16	6 5/16 - 6 3/16
Discount Market deps	6⅛ - 6	6⅛ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Apr 26, 5.7940pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.33pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.079pc. Finance House Base Rate 6.5pc from May 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.02	94.02	+0.01	94.03	94.01	9787	84773
Sep	93.88	93.87	-0.01	93.90	93.86	6050	59918
Dec	93.57	93.54	-0.03	93.60	93.54	9346	58756
Mar	93.16	93.11	-0.04	93.18	93.11	3856	46409
Jun	92.77	92.72	-0.05	92.79	92.72	1864	37838

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9400	0.09	0.12	0.14	0.07	0.25	0.60
9425	0.02	0.05	0.07	0.25	0.43	0.78
9450	0.01	0.02	0.04	0.49	0.65	1.00

Est. vol. total, Calls 3471 Puts 1362. Previous day's open int., Calls 139751 Puts 118019

EMS EUROPEAN CURRENCY UNIT RATES

Apr 30	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.656	+0.32	-2.36	3.54	16
Netherlands	2.15214	2.13737	+0.00059	-0.69	1.79	5
Belgium	39.3960	39.2705	+0.0416	-0.32	1.42	2
Austria	13.4383	13.4402	+0.0106	0.01	1.08	-0
Portugal	195.792	195.756	+0.224	-0.02	1.11	0
Germany	1.91007	1.91032	+0.00149	0.01	1.08	-0
France	6.40608	6.45064	+0.00557	0.70	0.39	-6
Denmark	7.28580	7.36552	+0.00605	1.09	0.00	-7
Ireland	0.792214	0.800537	-0.002216	1.05	0.04	-7
NON ERM MEMBERS						
Greece	292.867	304.030	+0.239	3.81	-2.82	-
Italy	2106.15	1952.75	-9.04	-7.28	8.04	-
UK	0.786652	0.828180	-0.002267	5.28	-3.98	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	Jun	Jul	PUTS May	Jun	Jul
1.490	1.60	2.03	2.31	0.10	0.55	0.83
1.500	0.80	1.40	1.91	0.20	0.91	1.32
1.510	0.27	0.91	1.41	0.67	1.42	1.81
1.520	0.03	0.54	1.01	1.43	2.05	2.40
1.530	-	0.29	0.69	2.35	2.74	3.02

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.54	94.53	-0.01	94.54	94.52	21,050	377,172
Sep	94.33	94.32	-	94.34	94.31	25,078	351,570
Dec	94.04	94.02	-0.03	94.04	94.01	70,634	343,616

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.98	94.96	-0.02	94.98	94.96	150	9,880
Sep	94.80	94.80	-	94.80	94.80	25	1,570
Dec	-	94.57	-	-	-	14	672

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	Jun	Jul	Sep	PUTS May	Jun	Jul	Sep
9675	0.11	0.13	0.16	0.21	0.01	0.03	0.07	0.10
9700	0.01	0.02	0.05	0.08	0.16	0.17	0.18	0.22
9725	0	0	0.01	0.02	0.40	0.40	0.40	0.41

Est. vol. total, Calls 4985 Puts 1793. Previous day's open int., Calls 344245 Puts 304332

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9825	0.04	0.11	0.10	0.14	0.23	0.47
9850	0.02	0.04	0.04	0.37	0.41	0.65

Est. vol. total, Calls 50 Puts 50. Previous day's open int., Calls 9245 Puts 3071

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9125	0.22	0.74	1.06	0.15	0.14	0.25
9150	0.11	0.57	0.86	0.29	0.22	0.32
9175	0.05	0.42	0.70	0.49	0.32	0.39

Est. vol. total, Calls 1130 Puts 25. Previous day's open int., Calls 32117 Puts 18776

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00	* In administration	
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]	[illegible]	[illegible]	[illegible]	2,098	2.8	Φ
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	1,322	1.7	Φ
Gold Flds Prop R		130	-5	170	130	13.3	7.1	9.4
MK Props.		75	-7	86	75	3.01	13.1	-
SASOL		685	+9	716	475	3,989	1.8	-
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.6	28.6
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	2,982	1.6	19.8
Tiger Oats		876	---	1270	850	1,316	1.9	Φ
Tongaat-Hulett		883	---	1247	885	845.3	1.9	19.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and *lows are based on intra-day mid-prices over a rolling 52 week period.*

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if *dilution occurs.*

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ~ Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ *Indicated dividend yield after pending scrip and/or rights issue.*
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. a Dividend yield excludes a special payment. f Indicated dividend yield, p/e ratio based on latest annual earnings. a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. [illegible] official estimates for 1995. K Yield based on prospectus or other official estimates for 1995. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Buchanan Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

LGT Asset Management Ltd

Daiwa Europe Fund Mgrs Ireland Ltd - Contd.

Mercury Fund Managers IoM Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

Jupiter Tyndall (Jersey) Ltd

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

S-E-Banken Luxembourg SA - Contd.

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds - Contd.

Credit Commercial de France

Daiwa Japan Gem Fund

Daiwa Japan Gem ... $11.33 11.47 -0.061

Daiwa Japan Small Equity Fd (n)

Daiwa Japan Small Eq. ... $13.57

Dicam Worldwide Investment Fund

Nikko Bank (Luxembourg) S.A.

Nikko Capital Management

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

Pan-Holding SA

Pictet Group

REIG Global Funds

River & Mercantile Latin American SICAV

Latin American NAV ... $10.10 +0.04

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngmt Co SA (u)

B.d.E. Edmond de Rothschild (Luxembourg)

CMI Insurance Co Ltd

CMI Ins Co Ltd/Clerical Med Gen Life Assce

Royal Life International

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

OTHER OFFSHORE FUNDS

Citi Fund Managers (Bermuda) Limited

Global Asset Management - Contd.

The MC Oasis Fund LP

Regent Kingpin Capital Management Ltd

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Equities make progress amid utilities intrigue

By Steve Thompson, UK Stock Market Editor

Much intrigue was introduced into the UK market as the Hanson Group's 12.5 per cent stake in the National Grid was sold to one of the market's biggest marketmaking firms, HSBC James Capel.

The HSBC purchase, at a big discount to the ruling market price, produced a wave of intense speculation that a bidder was lurking in the background.

By the close of trading, however, there was no hard evidence that the shares had been passed on to another party, although HSBC said it had hedged the entire market risk of the deal via a Middle Eastern investment group.

The National Grid story helped ginger up a stock market worried about the potential for a big sell-off, firstly as London takes on board the results from the UK local elections on Thursday and, secondly, as global markets react to US employment numbers due out on Friday.

Dealers said the market had already factored in a doomsday performance by the Conservatives on Thursday, and had already done much of the worrying about stories of a further threat to Mr John Major, the prime minister.

There remained, however, the big hurdle of the March payroll figures, due on Friday. Even the most hard bitten marketmakers remain extremely cautious about the US numbers, which have in the past been the catalyst for triple-figure falls in the Dow Jones Industrial Average.

Nevertheless, the London main market index, the FT-SE 100, put on a good performance to close 8.7 higher at 3,817.9, well clear of the 3,800 level that appeared to be on the cards on Monday.

Second-line stocks, unusually, underperformed their senior brethren, with the FT-SE Mid 250 index dipping 2.0 to 4,551.8.

Sentiment at the outset was positive, with Wall Street's overnight 5.4 gain on the Dow Industrial index, plus the prospect of more bids in London, helping the FT-SE 100 to rise some 7 points in initial exchange.

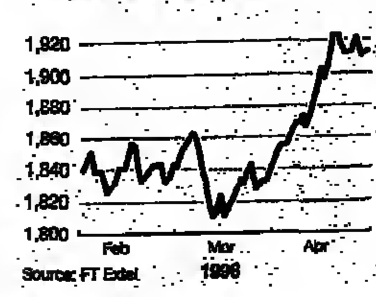
The Grid placing and the absence of hard takeover news took the edge off the market, however, and share prices slipped back before moving ahead again over lunchtime.

Wall Street's uneasy opening, which saw Treasury bonds weaker and the Dow Jones Industrial Average off more than 20 points shortly after the start of trading in the US, prompted some nervousness in gilts and UK equities. US markets had reacted badly to news of stronger than expected economic data.

But London regained its poise towards the close and ended the session in good shape. Traders thought the market may have overreacted on the downside to the expected poor performance of the Tories in Thursday's elections, and that the recent downbeat economic news may still prod the chancellor of the exchequer into looking for another interest rate cut.

Turnover in equities expanded rapidly to 1.12bn shares, the highest for many weeks, and a figure boosted by the 236m turnover in National Grid, which accounted for 20 per cent of the total. Customer activity on Monday came out at a relatively moderate £1.6bn.

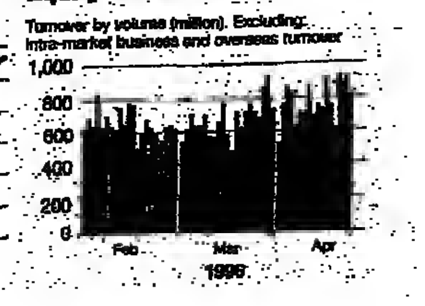
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3817.9	+8.7	FT Ordinary index	2838.6	+3.5
FT-SE Mid 250	4551.8	-2.0	FT-SE-A Non Fins p/e	17.56	17.52
FT-SE-A 350	1931.7	+3.2	FT-SE 100 Fut Jun	3821.00	+5.00
FT-SE-A All-Share	1914.61	+3.20	10 yr Gilt yield	8.03	7.99
FT-SE-A All-Share yield	3.89	3.89	Long gilt/equity yld ratio:	2.26	2.25

Best performing sectors

1 Tobacco ... +2.1
2 Health Care ... +1.5
3 Pharmaceuticals ... +1.2
4 Electronic & Elect Equip ... +1.0
5 Consumer Goods ... +0.8

Worst performing sectors

1 Gas Distribution ... -1.0
2 Electricity ... -0.8
3 Water ... -0.8
4 Oil Exploration & Prod ... -0.4
5 Property ... -0.4

Mystery buyer for Grid

News that Hanson had finally decided to sell the 210.5m shares in National Grid it acquired when it bought Eastern Group last year provided an intriguing market mystery story.

Had a buyer been found for the 12.5 per cent stake? If so, who was that buyer? And was it a hostile move?

The nuts and bolts details were that HSBC James Capel took on the stake at 192.5p after launching a bought deal – a situation where a marketmaker buys stock and takes the risk on to its own book.

Waters were muddied by a later announcement that the Olayan Group, a Saudi investment operation run by Mr Suliman Saleh Olayan, had agreed to hedge the risk involved in taking on such a large amount of shares.

Consensus was that a buyer had been found. National Grid was confident that the move was not hostile and the market believed it was Mr George Soros, the hard hitting US investor.

A spokesman for Mr Soros's Quantum Fund said it was company policy to make no comment on market talk.

Other potential buyers included AT&T and Deutsche Telekom, both of whom might have bought the stake as a way into Energis, National Grid's telecoms arm. Analysts argued that if Energis was the target the buyer was taking a roundabout route.

Finally, they said that if the predator was hostile Hanson would surely have sold the shares at a premium to the underlying price.

Capel said the transaction had been "completed", which was taken by some dealers to signify that a buyer had been found and would be revealed shortly. The rise in National Grid shares – by 6 to 205p – also suggested that there was no worry about stock overhanging the market.

However, the turnover of 236m shares by the close of trading suggested that the second half of the transaction had not been reported.

Hanson closed marginally firmer at 197p.

Asda recommended

Asda Group stood out among food retailing stocks as a couple of brokers turned more positive on the stock. The shares hardened 2¼ to 113¾, following trade of 8.2m.

SBC Warburg, which is positive on the sector as a whole, recently met with the company and yesterday turned buyer of Asda having previously advised clients to "hold" the shares.

Ms Sally Ronald at Panmure Gordon is also a fan of the stock and she too put it on the "buy" list yesterday, saying: "The revamped stores are continuing to deliver sales uplift in the high teens and new stores are trading above expectations."

The analyst also upgraded profits expectations for the year to April 1996 by £7m to a new figure of £302m.

In the retail sector, a number of stocks bounced back after being marked down earlier in the week, responding to a report from the Chartered Institute of Marketing which said it was more confident of a recovery in the High Street than at any time since October 1994.

Argos jumped 21 to 649p after a big seller finished trading in the morning and there was a shortage of stock. Analysts said the rise seemed a little aggressive given that the company is a prime candidate for acquiring the H.Samuel chain from Signet.

Dixons advanced 9 to 493p on the back of a report by Verdict, the retail consultancy, on the future of out-of-town superstores. The market perceived that Dixons would be a main beneficiary. Analysts also said it was believed that the company would make a strong finish to the financial year.

Boots, up 7 at 634p, benefited from the Verdict report, although Kingfisher, which owns Comet, was unchanged at 595p.

Oasis Stores receded 9 to 381p on profit-taking, along with DFS, off 5 at 510p. Moss Bros leapt 28 to 938p.

Elsewhere in the sector, there was vague talk of some switching out of Tesco and into J. Sainsbury. Shares in the former eased 2¼ to 280½p on 3.1m dealt, while the latter put on 3 at 366p in trade of 2.2m.

Shares in Watson & Philip gained 6 at 521p, boosted by a recommendation from Credit Lyonnais Laing. In a note to clients, analyst Mr Paul Smiddy said: "The shares have fallen 14 per cent since we turned holders in January. There is now a golden opportunity to acquire a growth stock on a significant discount to the market."

Hints in the market that Rank Organisation is holding a series of meetings with leading broking houses saw the shares strongly supported and up 8 at 533p.

P&O's first ever set of traffic figures provided transport watchers with good news. Cruise and containers staged modest growth, enough at least to offset a flat time on ferries. The shares ended a penny better at 522p.

Bus group Stagecoach put on 4 at 454p on speculation that it was about to pick up the Thames Train rail franchise.

British Airways continued to slide, closing 8 lower at 519p on 4.5m traded. The stock has come down from a recent peak of 558p because of the business cycle worries.

Rentokil was the day's second most active stock as the group's successful takeover bid for support services rival BET wound through the market. Down 8¼ on Monday, the stock closed 5 better at 382¼ in 90m traded.

Healthcare group Smith & Nephew was once again one of the best Footsie performers, with an advance of 5¼ to 193¼ as investors responded to its new skin graft operation.

A switch recommendation from GKN to Lucas Industries by Lehman Brothers saw both shares lose ground. The broker claimed that Lucas is trading at its widest discount against GKN for around eight years and rates the stock the equivalent of a firm buy. Lucas eased 2 to 215p and GKN slipped 5 to 983p.

A presentation by TI Group left the stock 10 firmer at 547p. Vickers moved ahead 8 to 258p in above average volume of 6.1m shares.

Reiterated reduce advice from NatWest Securities sent Cookson sliding to the bottom end of the Footsie rankings. The conglomerate's first-quarter sales look like being held in check by slow personal computer and mobile phone demand. The shares came off 5 to 315p for a two-day decline of nearly 4 per cent.

Recent bid speculation in Ladbroke Group all but vanished yesterday. The shares fell 7¼ to 195½p, the day's worst performer in the Footsie.

Harry Ramsden's, the fish and chip shop chain, forged ahead 29 to 355p. An analyst said there was a degree of catching up with the rest of the sector, although others said the rise reflected the company's recent deal with Compass, the contract caterer, over rights to the brand.

Debut stock Waterfall began trading at 57p. The leisure stock listed on the AIM market ended the day at 56p on turnover of 2.5m shares.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Apr 30	Apr 29	Apr 26	Apr 25	Apr 24	Yr ago	*High	*Low
Ordinary Share	2838.6	2835.1	2882.3	2864.4	2851.9	2489.1	2885.2	2696.7
Ord. div. yield	3.91	3.91	3.86	3.88	3.88	4.27	4.08	3.76
P/E ratio net	16.71	16.70	16.84	16.76	16.78	16.45	17.25	15.96
P/E ratio nil	16.48	16.47	16.81	16.54	16.52	16.25	17.03	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2840.6	2836.0	2838.3	2841.0	2841.8	2841.4	2839.3	2839.5	2837.2	2842.6	2833.0

	Apr 30	Apr 29	Apr 26	Apr 25	Apr 24	Yr ago
SEAQ bargains	31,851	34,018	33,337	34,028	36,235	25,211
Equity turnover (£m)†	-	1589.9	1950.5	2104.2	2174.2	1609.0
Equity bargains†	-	41,421	39,851	40,514	42,910	34,773
Shares traded (mil)†	-	727.7	802.4	922.9	888.3	677.2

†Excluding intra-market business and overseas turnover.

	Apr 30	Apr 29	Apr 26	Apr 25	Apr 24	Yr ago	*High	*Low
FT-SE AIM	1065.10	1065.50	1063.90	1045.20	1040.30	-	1064.62	986.88

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	733	Total Highs	245	Total contracts	25,842
Total Falls	546	Total Lows	17	Calls	9,038
Same	1,487			Puts	16,804

Apr. 30*Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3826.0	3821.0	+5.0	3833.0	3811.0	7382	59871
Sep	3841.0	3838.0	+5.0	3841.0	3837.0	173	3293
Dec	3865.0	3865.0	+5.0	3865.0	3865.0	42	68

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4570.0	-15.0	-	-	0	4471

■ FT-SE 100 INDEX OPTION (LIFFE) (*3816) £10 per full index point

	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P
May	[illegible]															
Jun	[illegible]															
Jul	[illegible]															
Aug	[illegible]															
Dec†	[illegible]															

Calls 897 Puts 2,853

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P
May	[illegible]															
Jun	[illegible]															
Jul	[illegible]															
Sep	[illegible]															
Dec†	[illegible]															

Calls 384 Puts 6,395 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	Net +/-	Div.	Div. cov.	Grs yld	P/E net
-	F.P.	23.4	138	125	†Active Imaging	[illegible]					
-	F.P.	15.0	1050	975	Cairngorm Units	[illegible]					
-	F.P.	0.71	250	25	Cairngorm Wts	[illegible]					
100	F.P.	8.50	95	95	Capital Co's VCT	[illegible]					
85	F.P.	13.4	95	83	Cardcast	[illegible]					
270	F.P.	35.9	350	305	†Dicom	[illegible]					
100	F.P.	14.3	137	95	†Easynet	[illegible]					
235	F.P.	100.1	340	245	FI Group	[illegible]					
-	F.P.	7.84	39	39	†FNR	[illegible]					
270-	F.P.	178.8	340	318	Harvey Nichols	[illegible]					
100	F.P.	27.4	97½	96	Hill Smi UK Emg Co	[illegible]					
278	F.P.	464.3	332	278	Mill & Copthorne	[illegible]					
[illegible]											

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 30	% chg on day	Apr 29	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (38)	2295.00	-0.3	2312.91	1929.38	1.37	-	2638.73	1722.83
■ Regional Indices								
Africa (13)	3065.00	-0.6	3105.88	2887.30	2.31	37.29	3563.86	2272.74
Australasia (9)	2761.35	-1.5	2805.69	2391.79	2.33	29.84	2927.34	2088.51
North America (12)	2005.86	-0.7	2018.99	1644.69	0.67	64.77	2185.39	1483.84

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FT - SE Actuaries Share Indices — The UK Series

	Apr 30	Day's chge%	Apr 29	Apr 26	Apr 25	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3817.9	+0.2	3809.2	3832.8	3819.3	3348.2	3.89	2.14	14.98	65.13	1552.78
FT-SE Mid 250	4551.8	-	4553.8	4608.6	4558.3	3542.8	3.28	1.75	21.80	75.88	1821.42
FT-SE Mid 250 ex Inv Trusts	4560.4	-	4562.9	4607.4	4562.3	3550.7	3.35	1.80	20.57	80.03	1839.92
FT-SE-A 350	1931.7	+0.2	1928.5	1939.2	1932.4	1681.4	3.75	2.07	18.12	32.60	1606.00
FT-SE-A 350 Higher Yield	1855.3	+0.2	1851.3	1860.9	1857.1	1625.8	4.89	1.91	13.12	39.83	1289.05
FT-SE-A 350 Lower Yield	2015.8	+0.1	2016.2	2024.9	2015.2	1697.5	2.82	2.34	20.35	[illegible]	[illegible]
FT-SE SmallCap	2230.91	+0.2	2227.05	2228.35	2216.78	1762.71	2.80	1.60	23.84	22.72	1833.25
FT-SE SmallCap ex Inv Trusts	2223.43	+0.2	2218.94	2217.87	2207.76	1760.96	3.08	1.80	21.41	23.64	1827.87
FT-SE-A ALL-SHARE	1914.61	+0.2	1911.39	1921.09	1914.27	1591.68	3.89	2.05	16.54	31.46	1617.15

■ FT-SE Actuaries All-Share

	Apr 30	Day's chge%	Apr 29	Apr 26	Apr 25	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	[illegible]										
11 Extractive Industries(6)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(15)	[illegible]										
20 GEN INDUSTRIALS(276)	[illegible]										
21 Building & Construction(34)	[illegible]										
22 Building Matls & Merchs(28)	[illegible]										
23 Chemicals(23)	[illegible]										
24 Diversified Industrials(18)	[illegible]										
25 Electronic & Elect Equip(36)	[illegible]										
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(26)	[illegible]										
29 Textiles & Apparel(19)	[illegible]										
30 CONSUMER GOODS(90)	[illegible]										
32 Alcoholic Beverages(5)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(15)	[illegible]										
36 Health Care(20)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(254)	[illegible]										
41 Distributors(32)	[illegible]										
42 Leisure & Hotels(29)	[illegible]										
43 Media(45)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(43)	[illegible]										
47 Breweries, Pubs & Rest.(24)	[illegible]										
48 Support Services(38)	[illegible]										
49 Transport(21)	[illegible]										
60 UTILITIES(33)	[illegible]										
62 Electricity(15)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(7)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(667)	[illegible]										
70 FINANCIALS(106)	[illegible]										
71 Banks, Retail(9)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(25)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(21)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(128)	[illegible]										
89 FT-SE-A ALL-SHARE(895)	1914.61	+0.2	1911.39	1921.09	1914.27	1591.68	3.89	2.05	16.54	31.46	1617.15
FT-SE-A Fledgling	[illegible]										
FT-SE-A Fledgling ex Inv Trusts	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 Day's high: 12.30 PM Day's low: 2.10 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3554.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company. * Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. NAME CHANGE: Ingham now Knox D'Arcy Trust (Fledgling).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 30 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Apr 30 / Frs.)

[illegible]

CZECH REP (Apr 30 / Koruna)

[illegible]

DENMARK (Apr 30 / Kr)

[illegible]

FINLAND (Apr 30 / Mka)

[illegible]

FRANCE (Apr 30 / Frs.)

[illegible]

GERMANY (Apr 30 / Dm.)

[illegible]

GREECE (Apr 30 / Drachma)

[illegible]

ITALY (Apr 30 / Lira)

[illegible]

NETHERLANDS (Apr 29 / Fls.)

[illegible]

NORWAY (Apr 30 / Kroner)

[illegible]

POLAND (Apr 30 / Zloty)

[illegible]

PORTUGAL (Apr 30 / Escudo)

[illegible]

SPAIN (Apr 30 / Pts.)

[illegible]

SWEDEN (Apr 30 / Kronor)

[illegible]

SWITZERLAND (Apr 30 / Frs.)

[illegible]

TURKEY (Apr 26 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Apr 30 / Yen)

[illegible]

AUSTRALIA (Apr 30 / Aust.$)

[illegible]

HONG KONG (Apr 30 / H.K.$)

[illegible]

INDONESIA (Apr 30 / Rupiah)

[illegible]

MALAYSIA (Apr 30 / MYR)

[illegible]

NEW ZEALAND (Apr 30 / NZ $)

[illegible]

SINGAPORE (Apr 30 / S$)

[illegible]

SOUTH KOREA (Apr 30 / Won)

[illegible]

TAIWAN (Apr 30 / TW $)

[illegible]

THAILAND (Apr 30 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Apr 30 / Rand)

[illegible]

NORTH AMERICA

CANADA

MONTREAL (Apr 30 / Can $) 4 pm close

[illegible]

TORONTO (Apr 30 / Can $) 4 pm close

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ♯ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Apr 30	Apr 29	Apr 26	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	17425.69	17558.64	18191.56	31/1	15828.81	19/3
Australia							
All Ordinaries(1/1/80)	2310.8	2320.0	2326.0	2326.00	26/4	2107.40	11/3
All Mining(1/1/80)	1097.6	1098.2	1107.9	1107.90	26/4	1004.70	16/1
Austria							
Credit Aktien(30/12/84)	383.17	382.36	386.35	387.24	25/4	352.78	2/1
Traded Index(2/1/91)	1118.58	1117.54	1131.21	1131.21	26/4	975.27	2/1
Belgium							
BEL20(1/1/91)	1721.8	1723.34	1727.03	1758.71	7/3	1574.98	2/1
Brazil							
Bovespa(29/12/83)	(u)	51493.0	51426.0	54109.80	3/2	43891.80	2/1
Canada							
Metals Minls♦(1975)	(u)	5542.35	5528.27	5548.84	18/4	4687.47	16/1
Composite♦(1975)	(u)	5152.40	5147.89	5152.40	29/4	4739.70	15/1
Portfolio§(4/1/83)	(u)	2491.26	2487.42	2491.26	29/4	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5510.96	5555.09	5694.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	397.35	397.82	397.79	399.12	24/4	368.40	2/1
Finland							
HEX General(28/12/90)	1944.65	1916.74	1935.75	1944.65	30/4	1651.57	10/1
France							
SBF 250(31/12/90)	1453.88	1446.28	1449.70	1453.88	30/4	1256.16	2/1
CAC 40(31/12/87)	2146.79	2130.78	2138.36	2146.79	30/4	1897.08	11/1
Germany							
FAZ Aktien(31/12/58)	883.96	882.54	898.05	902.33	23/4	818.59	2/1
Commerzbank(1/12/53)	2544.3	2557.8	2583.0	2601.80	23/4	2370.20	2/1
DAX†(30/12/87)	2505.25	2506.46	2537.17	2559.18	23/4	2284.86	2/1
Greece							
Athens SE(31/12/80)	913.20	901.03	911.11	1017.98	4/3	901.03	29/4
Hong Kong							
Hang Seng(31/7/64)	10864.53	10835.75	10732.79	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	(c)	(c)	3765.11	3869.87	24/4	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	623.90	625.36	628.24	638.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2524.14	2533.63	2522.14	2533.63	29/4	2234.61	2/1
Italy							
Banca Comm. Ital.(1972)	657.75	654.18	661.91	661.91	26/4	572.21	23/3
MIB General(2/1/95)	1115.0	1109.0	1122.0	1122.00	26/4	979.00	27/3
Japan							
Nikkei 225(16/5/49)	22041.30	(c)	22235.03	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	318.96	(c)	318.05	318.05	26/4	294.48	11/3
Topix(4/1/68)	1712.42	(c)	1719.0	1718.00	26/4	1524.12	13/3
2nd Section(4/1/68)	2229.24	(c)	2235.01	2235.01	26/4	1862.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1189.54	(c)	1173.43	1189.54	30/4	983.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3200.09	3216.95	3284.49	19/4	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	(c)	813.7	811.6	813.70	29/4	539.59	2/1
CBS All Shr(End 83)	(c)	369.7	368.5	369.70	29/4	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2153.16	2152.13	2147.46	2283.66	4/1	2044.71	24/1
Norway							
Oslo SE(Ind)(2/1/83)	1437.68	1444.72	1441.07	1444.72	29/4	1256.66	30/1
Philippines							
Manila Comp(2/1/85)	2937.98	2960.10	2980.58	3016.83	16/4	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1835.51	1823.28	1812.41	1835.51	30/4	1682.81	2/1
Singapore							
SES All-S'pore(2/4/75)	587.73	(c)	586.49	610.37	5/2	553.89	2/1
South Africa							
JSE Gold(28/9/78)	1941.7♥	1926.9	1959.6	1959.60	26/4	1340.49	2/1
JSE Ind.(28/9/78)	8288.8♥	8253.9	8412.9	8739.30	25/1	8008.40	2/1
South Korea							
KoreaCmpEx**(4/1/80)	980.90	985.03	964.57	985.03	29/4	838.87	13/3
Spain							
Madrid SE(30/12/85)	358.41	360.46	361.79	361.78	26/4	323.75	11/1
Sweden							
AffarsvarldnGen(1/2/37)	1933.0	1932.0	1945.2	1949.50	22/4	1708.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1762.36	1765.35	1779.54	1779.54	26/4	1598.19	17/1
SBC General(1/4/87)	1249.83	1250.58	1259.89	1259.89	26/4	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6134.38	6182.70	6051.21	6182.70	29/4	4669.22	6/2
Thailand							
Bangkok SET(30/4/75)	1292.81	1287.39	1297.26	1415.04	6/2	1247.79	13/3
Turkey							
Istanbul Cmp.(Jan 1986)	(c)	(c)	64722.7	72866.80	8/4	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	(u)	778.9*	778.0	778.90	29/4	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1681.09	1685.55	1692.57	1692.57	26/4	1594.40	11/1
Euro Top-100(26/6/90)	1451.79	1450.04	1458.28	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	380.24	378.39	383.16	16/4	344.19	2/1
ING Bmgs Emrg(7/1/92)	162.94	162.81	162.88	166.89	22/4	147.35	2/1

US INDICES

Dow Jones	Apr 29	Apr 26	Apr 25	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5573.41	5567.99	5566.91	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	102.26	102.29	102.29	106.69 (14/2)	101.98 (11/4)	106.77 (18/10/93)	54.99 (1/10/81)
Transport	2194.26	2197.91	2182.32	2221.06 (18/4)	1862.71 (18/1)	2221.06 (18/4/96)	12.32 (8/7/32)
Utilities	210.17	209.40	209.68	234.09 (12/2)	206.40 (11/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5611.71 (5618.57) Low 5515.25 (5517.78) (Theoretical♦)
Day's high 5589.31 (5590.30) Low 5562.62 (5546.68) (Actual♦)

Standard and Poors	Apr 29	Apr 26	Apr 25	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	654.16	653.46	652.87	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials♥	776.93	775.78	775.08	776.93 (29/4)	702.07 (15/1)	776.93 (29/4/96)	3.62 (21/6/32)
Financial	65.42	65.50	65.22	68.56 (5/3)	58.67 (18/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	351.24	350.82	350.29	351.92 (4/4)	321.41 (10/1)	351.92 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	592.75	593.57	591.46	593.57 (26/4)	529.05 (18/1)	593.57 (26/4/96)	29.31 (9/12/72)
NASDAQ Comp	1188.20	1186.89	1184.17	1188.20 (29/4)	988.57 (15/1)	1188.20 (29/4/96)	54.87 (31/10/72)

■ RATIOS

	Apr 26	Apr 19	Apr 12	Year ago
Dow Jones Ind. Div. Yield	2.17	2.17	2.17	2.65
	Apr 24	Apr 17	Apr 10	Year ago
S & P Ind. Div. yield	1.87	1.90	1.92	2.24
S & P Ind. P/E ratio	21.43	21.13	30.83	18.39

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Ford Motor	5,106,200	36	+⅛
Tel Brasil	4,789,900	53⅞	+¼
Telefonos	4,695,000	34¼	-1
Micron	4,595,500	36½	-2
Lucent Tech	3,244,100	38¾	+1
Compaq	3,047,400	45⅝	+1¼
Loral Space	2,888,400	13⅞	-⅛
Alliance Ent	2,855,700	6	-3
IBM	2,686,400	108⅝	+¼
Mid Atl Med	2,548,800	19¼	-4

■ TRADING ACTIVITY

● Volume (millions)

	Apr 29	Apr 26	Apr 25
New York SE	342.519	398.870	485.352
Amex	27.681	31.085	28.539
NASDAQ	566.802	658.984	739.675
NYSE			
Issues Traded	3,138	3,107	3,138
Rises	1,092	1,360	1,263
Falls	1,233	944	1,036
Unchanged	813	803	839
New Highs	129	166	152
New Lows	15	8	11

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Apr	2130.0	2140.9	+12.9	2141.0	2123.5	18,551	10,918
May	2119.5	2139.0	+20.5	2141.0	2115.0	26,126	33,759
■ DAX							
Jun	2506.5	2491.0	-14.0	2511.5	2485.5	20,411	-
Sep	2495.0	2510.5	-14.0	2525.0	2489.5	96	-
■ OMX							
Apr	-	1518.00	+9.25	-	-	-	-
May	-	1510.50	+13.50	-	-	-	-
■ SOFFEX							
May	3658.0	3648.5	-3.5	3666.0	3644.0	2,958	19,321
Jul	3628.0	3628.0	-8.0	3628.0	3628.0	26	2,385

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	655.00	654.75	-0.40	655.55	654.75	51,356	179,004
Sep	660.85	660.30	-0.40	661.00	660.30	254	6,728

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	22020.0	22020.0	-270	22180.0	21990.0	19,008	262,558
Sep	22090.0	22100.0	-350	22200.0	22090.0	2,094	15,238

Open interest figures for previous day.

** Sat Apr 27: Taiwan Weighted Price 5115.82; Korea Comp Ex 968.45. Base values of all Indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals 5 Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Apr 30 - 2492.63 -13.34

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, April 30, 1996.

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	7.3m	934	-12
Nippon Steel	6.0m	378	-3
Shinko Elect	4.7m	984	+56
NKK	4.5m	328	-3
Janome Sewing	4.5m	416	+16
Toshiba	4.2m	814	-4
Kobe Steel	4.1m	325	-9
Tokyo Gas	3.6m	411	+4
Kawasaki Steel	3.5m	383	-10
Fujiko	3.3m	590	+62

4 pm close April 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22¼	10⅛	AAR	0.48	2.4	22	208	20½	20¼	20⅜	+⅛
46⅛	35⅜	AMP	1.00	2.2	22	3298	44⅞	43¾	44¾	-¼
94	68	AMR			22	3765	89¼	88¼	89¼	+⅞
50½	37⅞	ASA	2.00	4.3	20	446	46¼	45⅝	46¼	+⅝
44¾	38⅛	AbbtL	0.96	2.4	16	3144	40⅞	40½	40⅝	-½
17¼	16⅛	AbitibiPr	0.40	2.8	7	782	15	14½	14½	-⅛
35⅛	27	ABM Ind	0.76	2.1	17	77	24¼	34⅛	34⅛	+⅛
15⅞	13⅞	Acptncain			65	346	18¾	16⅛	16⅜	+½
50⅜	37¾	ACE Ltd	0.56	1.3	10	689	44	43¾	44	
9⅞	9⅛	ACM Gvt In	0.90	9.2	6	94	9¾	8⅞	9¾	+⅛
7⅞	6¾	ACM GvOpp	0.66	0.6		94	7⅛	7	7⅛	+⅛
7¼	6½	ACM Gvt Sp	0.78	11.3		321	6⅝	d6½	6⅝	
9⅛	8¼	ACM Gvt Se	0.90	10.6		20	8¾	8⅜	8¾	
9½	8⅞	ACM Mun	0.90	10.6		312	9¼	0	0	-⅛
30¾	16½	AcmeClv	0.62	1.7	7	397	30¼	30	30⅛	-⅛
13⅞	9⅛	Acme Elect			20	1535	16⅝	9⅞	19⅛	-¼
31¾	27¾	Acordia	0.72	2.3	10	7	d31¾	31⅝	31¾	
20¼	12	Acuson			20	3709	10⅝	10	10	-¼
19½	16⅜	Adams Expr	1.98	9.7	0	68	10	16⅞	16	
27¼	16⅛	AdvMic			7	7636	18¾	10	13⅛	+⅛
11⅛	9½	Advest Grp	0.16	1.6	7	49	10¼	10⅛	10⅛	-⅛
36⅛	9⅛	Advo Inc	0.10	1.0	10	451	10⅛	9⅞	10⅛	
49½	41⅛	Aegon	1.23	9.6	10	33	48¼	47¾	48⅛	+⅛
6⅛	3½	Aerflx			6	144	4¾	4⅝	4¾	

Continued on next page

4 pm close April 30

NYSE COMPOSITE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close

Continued from previous page

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
25⅞	7¾	Schlr			3	4155	9⅝	9½	9⅝	+⅛
27⅞	18⅝	Schwab(C) 4	0.16	0.7	24	2200	25	24½	24½	-½
28⅞	22¼	SchwMaud			14	605	27¼	25¾	27¼	-1¼
19¾	13⅛	SciAtl	0.06	0.3	47	1652	19	18½	18½	-⅜
43½	38⅛	Scripps	0.52	1.2	25	354	42¾	42½	42½	-⅛
18⅛	14½	ScuddrNAsF	0.02	0.1		177	15⅞	15¾	15⅞	
12½	11	ScuddrNEsF	0.16	1.3		121	12⅜	12⅛	12¼	+⅛
67⅝	44¾	S'gate			22	12748	58	56⅞	58	+1⅛
24½	17⅛	Seagull En			16	1135	u24½	24⅛	24⅛	-⅛
35¾	26	Sealed Air			35	927	u35¾	35	35⅛	+⅝
53¼	38¼	SearsR	0.92	1.8	14	16628	50½	49⅛	49⅞	+⅛
53½	38⅞	ServCp	0.48	0.9	27	3381	53¼	52⅞	53⅛	+⅛
83½	76⅝	ShellTr	3.30	4.1	17	363	80½	80	80	-½
46⅞	39	SherW	0.70	1.5	19	1076	u46⅞	45¾	46¾	-⅛

- X - Y - Z -

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
151	119⅝	Xerox	3.48	2.4	37	2425	148⅞	148½	148½	-2⅝
47⅞	39¾	Xtra Corp	0.72	1.6	14	188	45⅝	45	45½	
25¾	21¼	Yankee Egy	1.28	5.8	15	42	22½	22¼	22⅜	+⅛
50⅝	43⅞	York Int	0.36	0.8	20	1208	48⅝	48	48	-⅝
9¾	3	Zapata	0.14	3.8	6	74	u3¾	3⅝	3⅝	-½
9⅝	5⅞	ZnithEl			42	1238	u9⅝	7⅝	9⅝	+2⅛
25¾	21⅛	Zenith Nat x	1.00	4.0	35	140	u25¾	25⅛	25⅛	
7⅛	6½	Zenix Inc	0.72	10.5		130	7	6⅞	6⅞	-⅛
18¼	15⅛	Zero	0.44	2.4	16	97	18	17¾	18	-⅛
23¼	19⅞	Zurn Ind	0.40	2.0	15	313	20⅝	20⅜	20⅜	-¼
11⅞	10¾	Zweig Fund	1.12	10.1		205	11⅛	11⅛	11⅛	-⅛
8	6½	Zweig Tot	0.64	6.7		358	9¼	6⅞	6⅝	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

4 Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close April 30

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Cambrex	0.20	14	100	[illegible]	[illegible]	[illegible]	
Can Marc	0.14	26	20	9¼	d9⅛	9¼	
Cntrl FdA	0.01		31	5⁵⁄₁₆	5	5⁵⁄₁₆	+1⁄16
Cominco	0.30	16	3	23¾	23¾	23¾	-⅛
CmpTch		34	66	11¾	11⅛	11¾	-⅛
Computrac		20	97	2¾	2⅛	2¾	
Concd FbA		10	41	u5⅝	5⅞	5½	-⅛
Glatfltr	0.70	10	162	17	16⅝	16⅝	-⅛
Goldfield		12	150	⅜	5⁄16	⅜	+⅛
HlthDir		4	504	1⁵⁄₁₆	1¼	1¼	-1⁄16
Hasbro	0.40	20	2225	36⅞	36⅝	36¾	+⅛
MSR Expl		14	40	1	15⁄16	1	+1⁄16
NatPatDev		83	188	18⅞	19⅛	10⅛	
NY TmA	0.56	22	909	32¾	32¼	32½	
NumacE		103	10	4⅛	4⅛	4⅛	-⅛
ViacomA		93	695	40¼	39¾	40	-⅛
ViacomB		95	9610	41⅝	40⅝	41	-⅛
WRIT	1.12	16	224	11¼	11	11¼	+⅛
Xytronix		3	131	2⅛	1¹⁵⁄₁₆	2⅛	+⅛

NASDAQ NATIONAL MARKET

4 pm close April 30

AMERICA

Weak bonds leave US shares easier

Wall Street

Weakness in the bond market and some profit-taking in the technology sector sent US share prices modestly lower at midsession yesterday, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 10.11 at 5,563.30. The Standard & Poor's 500 fell 1.30 to 652.86 and the American Stock Exchange composite lost 2.85 at 589.90. Volume on the NYSE came to 207m shares.

Bonds fell in early trading as stronger-than-expected figures on consumer confidence and Mid-western business activity provoked jitters about data due out Friday on employment levels in April.

Also weighing on shares was news that Mr Byron Wien, chief investment strategist at Morgan Stanley, had lowered his allocation to equities to 85 per cent from 90 per cent of the investment bank's model equity portfolio.

After setting eight consecutive records, the Nasdaq composite slipped 0.22 to 1,187.98 and the Pacific Stock Exchange technology index was 0.2 per cent lower.

Microsoft and Intel, the two largest companies on the Nasdaq, posted modest losses on the heels of the sharp gains made over the course of last month. Microsoft was $¼ lower at $112⅞ and Intel declined $⅞ to $67⅞.

Elsewhere in the technology sector, Internet access providers soared on news that MFS Communications, a specialist telecommunications company, had agreed to merge with UUNET Technologies in a deal valued at about $2bn. UUNET jumped $7⅞ or 18 per cent to $55⅞, Netcom On-Line Communication Services added $3⅞ or 11 per cent at $36 and PSInet climbed $2⅝ or 18 per cent to $13⅞. MFS lost $1⅞ or 5 per cent at $33⅞.

The Food and Drug Administration spurred gains in shares, with Interneuron Pharmaceuticals forging ahead $3⅞ or 9 per cent to $40⅞ after the FDA approved the company's obesity drug, Redux, for marketing.

Guidant rose $2⅞ or 5 per cent to $56 after the FDA approved a new version of the company's cardiac defibrillator.

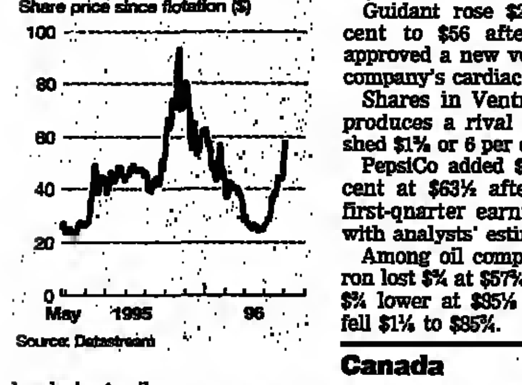
Shares in Ventritex, which produces a rival defibrillator, shed $1⅞ or 6 per cent to $15⅞.

PepsiCo added $2⅞ or 4 per cent at $63⅞ after reporting first-quarter earnings in line with analysts' estimates.

Among oil companies, Chevron lost $⅞ at $57⅞, Exxon was $⅞ lower at $85⅞ and Texaco fell $1⅞ to $85⅞.

UUNet

Share price since flotation ($)



Source: Datastream

Canada

Toronto edged lower at midsession, but with a strong performance by golds overcoming much of the downward pressure in other sectors.

The TSE-300 composite index was 4.18 weaker by noon at 5,148.20 in volume of 47.3m shares.

Philip Environmental jumped C$1.15 to C$11.05 after the waste management company priced a C$67.26m share offering.

Bre-X Minerals climbed C$7 to C$197. The mining company owns potentially the largest gold find in the world, located in Indonesia.

Mexico reverses slide

Mexico City reversed an initial slide as foreign investors moved into the market. By midday the IPC index was up 11.98 or 0.4 per cent at 3,212.07. The market had been down by 13.6 points in early trade.

Dealers said the strengthening of the peso against the dollar had been partly down to greater demand from foreign investors.

SAO PAULO was having a slow session as many investors anticipated today's holiday.

By midsession the Bovespa index was up 135.09 at 51,628.

On Monday, shares posted modest gains in a day marked by the second lowest volume of the year.

The market is also waiting to see whether President Fernando Henrique Cardoso's ministerial changes will help the federal government expand its political base and ease the passage of key constitutional reforms in Congress.

Analysts expressed some concern over the government's decision to raise the minimum wage by 12 per cent to R$112 a month.

S Africa firm despite strike

Johannesburg ended a quiet day firmer as the Congress of South African Trade Union's one-day strike passed peacefully and with little apparent impact on most key sectors.

Golds rallied in futures-related trade at noon as the gold price held above $391 an ounce but came back slightly before the close to end firm.

Analysts said the strike and the 1 percentage point increase in the bank rate on Monday had been largely discounted. However, the stores sector was weak, still hit by fears that the interest rate rise would hit earnings in the consumer related stocks.

The overall index was up 38.8 to 6,976.2, industrials gained 36.1 at 8,290.0 and golds made 14.8 to 1,941.7.

De Beers notched a 75-cent gain to finish at R137.75, Anglos was up R3 to R293 and SA Breweries advanced R1.25 to R126.25. Absa bounced R1.25 to R20.25, Standard fell R8 to R160 and First National Bank lost R1 at R31.

EUROPE

Helsinki jumps to a five-month closing high

A rise of 10.7 per cent in Valmet in **HELSINKI** helped the market to a five-month high, while Nokia matched an overnight gain on Wall Street. The Hex index climbed 27.92 to 1,944.65.

Valmet, the paper machine maker, surged FM6.50 to FM67.50 as the company forecast that eps would improve as it redeemed and cancelled 8.8m shares as part of an offering where the state would cut its holding to 20 per cent.

Nokia advanced FM4.50 to FM172.50 in more lively trade than in recent sessions as investors prepared for first-quarter results on Thursday next week.

FRANKFURT failed to get support from the stronger dollar as position squaring was evident ahead of the holidays. The Dax closed 1.21 down at 2,505.25 and in the Ibis the index finished at 2,492.63.

Mr Eckhard Framm at Merck Finck in Dusseldorf said that over the month of April the winners in the Dax were chemicals, utilities and motor vehicles, while the losers were the highly capitalised shares such as Allianz. On a four-month time span, the Dax was led again by the chemicals, with Hoechst coming out top, while SAP, which had been one of 1995's major winners, was almost at the bottom, only beaten by Metallgesellschaft.

Mr Mark Tracey at Goldman Sachs yesterday reiterated his sell note on Merck, down DM3.71 or 6 per cent at DM57, following an analysts' meeting with the company and the release of worse than expected figures on Monday. This opinion was made on the grounds that the fundamentals for Merck remained "tough".

Another downsider was Schering, which declined DM4.20 or almost 4 per cent to DM110.80 in spite of announcing a 5 per cent first-quarter sales increase.

PARIS finished slightly higher, shrugging off a fall in Suez earlier in the day which had depressed the mood of the market. The CAC-40 index moved forward 16.01 to 2,146.79 in turnover of FFr6bn.

Suez closed FFr7.90 down at FFr214.10 as investors reacted to the news that it had agreed to sell 51 per cent of Indosuez to Crédit Agricole.

There was better news for UAP, up FFr1.50 at FFr111.90, as it said that it was selling two German divisions to General Accident and was also planning a UK listing of Sun Life.

There was more news on Crédit Foncier de France, which had been suspended since Monday, after reporting a FFr10.8bn 1995 loss after taking property provisions. Mr Jean Arthuis, the finance minister, said yesterday that CFF's chairman had requested a legal investigation to examine the reasons for the losses in 1995. The stock remains suspended until May 2 and brokers are expecting a hefty fall in the share price.

MILAN resumed its upward path, checked briefly by profit taking on Monday, as a strong lira and good performance of bonds lent further support to equities. The Comit index rose 3.57 to 657.75, while the real-time Mibtel index picked up from a low of 10,370 to close near its high for the day at 10,550 on demand from foreign and domestic investors.

Telecommunications issues returned to favour after Monday's downturn. Tim rose L97 to L3,426 on strong first-quarter figures. The mood spilled over to Stet, up L53 to L5,273, and to Telecom Italia, L76 ahead at L3,176.

Gemina added to Monday's 4.8 per cent rise with another of L31 to L712.5, on the view that the shares had become undervalued.

ZURICH failed to hold midday levels and closed marginally lower after a day heavily influenced by derivative trade and with most small investors absent ahead of today's holiday. The SMI index finished 7.2 weaker at 3,651.0.

Banks were at the centre of attention. CS Holding picked up SFr1 to SFr112.75 in response to Monday's first-quarter results, while SBC bearers rose SFr5 to SFr465 on hopes that it would follow UBS and CS Holding with good figures of its own.

BRUSSELS came under pressure, although turnover was thin ahead of the holiday. The Bel-20 index lost 2.34 to 1,731.00 with Delhaize gaining BFr20 or 1.3 per cent to BFr1,555, and Barco, the electronics group, continuing its rally with another rise of BFr95 or 1.9 per cent to BFr5,010.

OSLO was weaker as Norsk Hydro slipped owing to a dividend payout. The Total index shed 3.69 or 0.5 per cent to 831.38 in turnover of NKr789m.

Hydro, which had pushed the index to an all-time high on Monday after announcing better than expected first-quarter profits, relinquished NKr7.50 at NKr300.

Transocean, an offshore drilling company, was the most heavily traded stock but the shares were unchanged at NKr184, as investors awaited the first-quarter figures on Friday.

MADRID was lower on profit-taking ahead of its two-day holiday and the general index lost 2.05 at 358.41.

Telefónica bucked the trend, adding Pta10 at Pta2,265.

WARSAW was weaker in low turnover, but there was a feeling that the market could move higher after the five-day holiday break which begins today. But brokers said buying would probably remain selective as bargains were hard to come by following the market's rapid rise over the first four months of the year.

The Wig index eased 0.1 per cent to 12,439.6 as turnover fell 14.3 per cent to 110.5m zlotys.

The main riser was Computerland, up 10 per cent, which was said still to be benefiting from good March earnings. Okocim made 3 per cent on an announcement that it planned to boost investment and increase its market share in beer to 14 per cent from 10 per cent by the end of the decade.

Petrobank dropped 4.6 per cent on profit-taking after having surged by more than 40 per cent this month.

● **Amsterdam** was closed for a public holiday.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 30 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1681.86	1681.43	1681.91	1684.07	1684.11	1684.20	1681.84	1681.09
FT-SE Eurotrack 200	1733.49	1732.58	1733.46	1734.34	1734.61	1734.15	1731.76	1728.15

	Apr 29	Apr 26	Apr 25	Apr 24	Apr 23
FT-SE Eurotrack 100	1685.55	1692.57	1684.54	1683.71	1682.48
FT-SE Eurotrack 200	1731.09	1740.61	1733.73	1732.07	1733.74

Base value 1000 (26/10/90); High/day: 100 - 1685.19; 200 - 1736.86 Low/day: 100 - 1680.48 200 - 1727.13 † Partial

ASIA PACIFIC

Rise in yen weighs on investor confidence in Tokyo

Tokyo

Worries over the rise in the yen against the dollar, and prospects of higher short-term interest rates, weighed on investor confidence and the Nikkei average closed lower for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The 225-share index lost 193.73 or 0.9 per cent at 22,041.30, having moved between 22,162.88 and 21,953.48.

Volume was 402m shares, against 536.9m. Traders said many investors were absent due to the Golden Week holidays. Tokyo's financial markets were closed on Monday and will be shut on Friday and next Monday, May 6.

The Topix index of all first section stocks fell for the first time in seven trading days, slipping 5.58 to 1,712.42, and the Nikkei 300 eased 1.10 to 316.96. Declines led advances by 712 to 369, with 154 issues unchanged.

In London the ISE/Nikkei 50 index shed 3.92 to 1,481.55.

The dollar dropped to the Y104 level, prompting index linked selling by investment trusts and a decline in futures prices, which in turn triggered arbitrage unwinding. Profit-taking depressed interest rate-sensitive large-capital steels and shipbuilders, while the prospects of lower earnings hurt export oriented high-technology issues.

Steels and shipbuilders fell on active trading. Nippon Steel lost Y3 to Y378 and Mitsubishi Heavy Industries, the most active issue of the day, receded Y12 to Y934.

Electricals were lower. Toshiba dipped Y4 to Y814. NEC fell Y30 to Y1,330 and Sony dropped Y100 to Y6,800. However, leading car makers were firmer in spite of the yen's advance, with Toyota Motor up Y10 to Y2,390 and Nissan Motor gaining Y13 at Y884.

Banks were sold on reports of the government's plan to ask the banking industry to shoulder a heavier burden in liquidating the housing loan companies to eliminate the controversial use of public funds. Fuji Bank slipped Y10 to Y2,290 and Sumitomo Bank declined Y20 to Y2,240.

Speculative favourites were supported by individual investors. Kanematsu-NNK jumped Y300 to Y4,200 and Shinko Electric rose Y58 to Y884.

In Osaka, the OSE average retreated 117.71 to 23,744.77 in volume of 56.3m shares.

Roundup

A rumoured warrant issue on Swire enabled **HONG KONG** to overcome a dull start to finish sharply higher, and the Hang Seng index moved ahead 128.78 or 1.2 per cent to 10,964.53 but turnover remained low at HK$3.7bn.

Of the three listed companies involved in Monday's big reshuffle of Hong Kong aviation interests, Swire soared HK$3.50 to HK$66 and Cathay Pacific climbed 60 cents to HK$13.50, on the view that a major question mark over Cathay's position after 1997 had been removed. The Beijing-backed Citic Pacific fell 20 cents to HK$30.40 on concerns about where it would find the cash to raise its Cathay stake.

Haeco, Swire's aircraft maintenance arm, appreciated 45 cents to HK$19.60.

BANGKOK was assisted higher by expectations of a decline in the April CPI index. The SET index rose 5.22 to 1,292.61 in volume of 59.6m shares valued at Bt4bn.

The Commerce Ministry was due to release April data today and there were expectations that the rate would be between 6.5 per cent to 7 per cent year-on-year, down from 7.3 per cent over a similar period in March.

Thai Thanakorn Finance and Securities rose Bt7.50 to Bt84 in volume of 2.6m shares. Dhana Siam Finance and Securities put on Bt4 at Bt156.

SYDNEY was unable to make up for an early fall in the market, although there was some support in the afternoon. The All Ordinaries index lost 3.2 to 2,316.8. Volume was 249.3m shares valued at A$468.4m.

ICI Australia, majority owned by ICI, of the UK, eased 10 cents to A$11.75 after announcing a 26 per cent set-back in after-tax profits for the fiscal first half ended March 31.

Banks were the day's worst performers, with the banking and finance index retreating 1 per cent.

Westpac receded 9 cents to A$6.18, but Santos firmed 5 cents to A$4.54 in spite of announcing a 10 per cent decline in its first-quarter sales.

TAIPEI saw profit-taking take hold of non-financials as the weighted index shed 48.72 or 0.8 per cent to 6,134.28. Turnover was T$87bn.

Non-financials lost 1.2 per cent, while the so-called "China-concept" stocks, which are companies having major investments in China, came under pressure from a news report out of Hong Kong on Monday which said that Beijing was preparing to launch a military exercise in late May.

Wei-Chuan Foods, which has investments in China, dropped 5.3 per cent to T$27 and Ever Fortune, a construction group, slid 6.5 per cent to T$40.

SINGAPORE was firmer as overseas investors bought a range of stocks but volume remained very thin, with many dealers staying away due to public holidays this week. The Straits Times Industrial index closed 14.11 higher at 2,415.66.

Creative Technology, the computer soundboard maker, surged S$1.80 to close at a high of S$10.50 as the shares matched a jump in the price of the New York listing on Friday and Monday following the launch of new products.

KUALA LUMPUR was propelled to a 1996 closing high by strong late fund buying in blue chips. The composite index gained 16.11 at 1,169.54.

Pengkalan Holdings fell 95 cents to M$6.60 and Pengkalen Capital was down 65 cents to M$7.15 after their recent rally on takeover news by the still suspended Malayan United Industries.

SEOUL encountered profit-taking that left the composite index 4.13 lower at 980.90.

However, in spite of the fall, the financial and banking sectors gained 13.5 per cent and 2.3 per cent respectively, in very active trading. KorAm Bank rose Won700 to its day's limit of Won12,600. Korea Exchange Bank, Boram Bank and Kyungnam Bank moved up Won600 apiece to their daily limit-highs of Won11,400, Won12,100 and Won11,900 respectively.

SHANGHAI's hard currency B index shrugged off worse than expected results from many of its listed companies and briefly touched a 1996 high on hopes of an interest rate cut and economic recovery. The index hit a 1996 intra-day peak of 53.251 before edging back to finish 0.851 or 1.7 per cent up at 51.976.

However, the local currency A index of shares available only to domestic investors tumbled 62.153 or 8.1 per cent to 708.43 on profit-taking after the 13.43 per cent rise over the previous two sessions.

BOMBAY was spurred 1.5 per cent higher by heavy demand for blue chips from foreign funds, apparently unconcerned by the outcome of the general election.

The BSE-30 index climbed 58.13 to 3,823.24, helped by a Rs16.50 or 6.5 per cent rise in Reliance to Rs260.50.

JAKARTA was impassive, with foreign investors staying absent for the time being. The JSX index edged down 1.42 to 523.91 in volume of 56.6m shares valued at Rp174.7bn.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 29 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 26 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	209.47	−0.7	205.83	138.49	165.67	177.00	−0.3	3.90	210.85	207.04	140.91	167.59	177.56	210.85	162.68	172.83
Austria (25)	187.45	−0.6	184.20	123.94	148.28	148.15	−1.0	1.90	188.49	185.08	125.97	149.81	149.71	199.28	168.11	185.40
Belgium (31)	209.06	0.3	205.43	138.22	165.34	161.65	0.1	4.08	208.48	204.71	139.33	165.70	161.54	215.81	186.08	194.97
Brazil (28)	157.94	0.5	155.20	104.42	124.92	268.46	0.5	1.39	157.11	154.27	104.99	124.87	266.93	170.25	123.97	133.70
Canada (99)	162.72	0.0	159.90	107.58	128.70	160.58	0.0	2.35	162.75	159.81	108.77	129.36	160.53	162.75	134.14	135.62
Denmark (30)	296.08	0.7	290.95	195.78	234.17	236.22	0.2	1.91	293.92	288.61	196.43	233.61	235.63	305.17	271.61	272.66
Finland (24)	181.17	−0.7	178.03	119.78	143.29	183.28	−1.2	2.71	182.46	179.16	121.94	145.02	185.59	279.11	171.73	201.61
France (97)	198.39	0.1	194.95	131.17	156.91	159.86	−0.3	3.00	198.17	194.59	132.44	157.51	160.36	198.39	167.70	183.03
Germany (60)	168.10	−0.7	165.19	111.14	132.95	132.95	−1.2	1.87	169.24	166.18	113.10	134.51	134.51	174.38	149.48	152.81
Hong Kong (59)	424.73	0.8	417.38	280.81	335.92	421.77	0.8	3.35	421.40	413.78	281.62	334.93	418.45	451.19	323.67	330.14
Ireland (16)	276.97	0.4	272.17	183.12	219.06	249.97	0.4	3.33	275.76	270.77	184.29	219.17	248.99	277.20	220.31	223.40
Italy (59)	82.37	−1.8	80.94	54.46	65.15	96.10	−1.9	2.21	83.87	82.35	56.05	66.66	97.95	83.87	67.22	75.63
Japan (481)	164.68	1.1	161.82	108.88	130.24	108.88	0.0	0.70	162.92	159.97	108.88	129.49	108.88	164.79	167.75	159.82
Malaysia (107)	577.58	0.0	567.85	382.07	457.05	554.69	0.0	1.57	577.72	567.27	386.09	459.17	554.69	577.88	425.77	474.33
Mexico (18)	1258.15	−1.5	1236.32	831.93	995.07	10241.27	−0.8	1.38	1277.46	1254.36	853.73	1015.33	10325.19	1313.61	791.99	1005.41
Netherland (19)	290.33	1.0	285.29	191.95	229.62	225.55	0.4	3.16	287.55	282.35	192.17	228.55	224.61	291.80	237.16	244.71
New Zealand (15)	82.94	0.6	81.50	54.84	65.60	64.13	0.3	4.26	82.44	80.95	55.09	65.52	63.95	85.49	78.26	83.94
Norway (33)	255.75	0.5	251.32	169.09	202.27	227.04	0.2	2.28	254.44	249.84	170.04	202.23	226.62	255.75	215.04	224.85
Singapore (44)	440.23	0.1	432.59	291.06	348.15	285.19	0.0	1.33	439.79	431.83	293.91	349.54	285.19	465.21	365.81	370.08
South Africa (45)	366.06	0.1	359.71	242.02	289.51	349.04	−1.2	2.01	365.67	359.06	244.39	290.64	353.27	437.76	338.91	351.98
Spain (37)	178.85	0.1	176.73	118.91	142.25	172.16	−0.2	3.22	179.70	176.45	120.10	142.83	172.49	179.85	139.15	139.80
Sweden (46)	343.08	−0.4	337.13	226.83	271.34	342.66	−0.7	2.33	344.35	338.12	230.15	273.69	345.19	352.28	250.83	255.60
Switzerland (39)	243.81	−0.4	239.59	161.20	192.83	186.21	−0.8	1.57	244.84	240.41	163.63	194.60	187.66	252.34	184.11	187.22
Thailand (46)	175.82	−1.1	172.77	116.25	139.06	172.20	−1.3	1.90	177.78	174.55	118.80	141.29	174.41	183.95	145.43	145.46
United Kingdom (202)	233.50	−0.7	229.45	154.38	184.68	229.45	−0.8	4.01	235.06	230.83	157.10	186.84	230.83	237.43	208.12	209.85
USA (626)	266.98	0.1	262.35	176.51	211.15	266.98	0.1	2.19	266.71	261.89	178.24	211.98	266.71	269.11	210.24	210.44
Americas (771)	243.99	0.1	239.75	161.31	192.97	206.06	0.1	2.15	243.79	239.37	162.92	193.79	204.87	245.54	192.82	192.94
Europe (720)	209.83	−0.4	206.20	138.73	165.96	185.13	−0.6	3.00	210.62	206.81	140.70	167.40	186.25	211.35	161.77	163.91
Nordic (135)	294.99	−0.1	289.86	195.03	233.30	259.28	−0.5	2.30	295.39	290.04	197.41	234.77	260.69	297.60	241.96	245.70
Pacific Basin (632)	177.01	0.9	173.93	117.03	139.99	120.15	0.0	1.11	175.43	172.26	117.24	139.43	120.14	177.01	148.86	167.04
Euro-Pacific (1552)	190.57	0.3	187.26	125.99	150.72	144.86	−0.3	1.98	189.98	186.54	126.96	150.99	145.24	190.57	166.51	173.98
North America (725)	260.50	0.1	255.98	172.23	206.03	259.80	0.1	2.20	260.25	255.55	173.93	206.85	259.55	262.26	206.66	205.80
Europe Ex. UK (518)	191.75	−0.2	188.42	126.78	151.65	159.16	−0.6	2.46	192.15	188.66	128.42	152.72	160.14	192.87	163.36	165.73
Pacific Ex. Japan (351)	293.65	0.1	288.55	184.15	232.25	253.48	0.2	2.92	293.36	288.05	196.05	233.16	253.07	293.73	237.71	240.15
World Ex. US (1742)	191.55	0.3	188.23	126.95	151.50	149.23	−0.3	1.98	191.00	187.55	127.65	151.81	149.69	191.56	167.36	174.41
World Ex. UK (2166)	212.60	0.3	208.92	140.56	168.15	178.45	−0.1	1.88	211.98	208.14	141.67	168.48	178.57	212.60	179.23	182.71
World Ex. Japan (1887)	242.77	−0.1	238.56	160.51	192.01	230.45	−0.1	2.50	242.93	238.54	162.35	193.08	230.80	242.93	200.28	200.45
The World Index (2368)	214.52	0.2	210.80	141.83	169.66	183.14	−0.1	2.07	214.07	210.20	143.07	170.15	183.35	214.52	181.82	195.10

Markets closed 29/4/96: Japan, Malaysia and Singapore. Latest prices were unavailable for this edition.

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